War on Drugs

Studies in the Failure of U.S Narcotics Policy

Edited by

Alfred W. McCoy and Alan A. Block

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For Our Children

Hallie Lorraine Block
and
Matthew & Michael McCoy

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Acknowledgments

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Alfred W. McCoy and Alan A. Block

About the Contributors

Alan A. Block, professor of administration of justice at The Pennsylvania State University, is the author of *Masters of Paradise: Organized Crime and the Internal Revenue Service in the Bahamas* and *East Side-West Side: Organizing Crime in New York.*

Bruce Bullington, associate professor of criminal justice at The Pennsylvania State University, is author of *Heroin Use in the Barrio.*

Jaime Malamud-Goti was adviser to the president of Argentina, state secretary, and executive vice-president of the Argentina National Commission on Drugs. He is currently professor at the Center of Advanced Studies, University of Buenos Aires, an affiliate of the Institute of Peace, and a MacArthur Fellow.

Rensselaer W. Lee, III, is an associate scholar of the Foreign Policy Research Institute in Philadelphia, a consultant on international narcotics enforcement, and author of *White Labyrinth: Cocaine and Political Power.*

Lawrence Lifschultz is the former South Asian correspondent for the *Far Eastern Economic Review*.

Bertil Lintner is Burma correspondent for the *Far Eastern Economic Review* and author of *Land of Jade: A Journey Through Insurgent Burma.*

Peter A. Lupsha, professor of political science at the University of New Mexico, is the author of numerous academic essays on organized crime and narcotics trafficking.

Alfred W. McCoy, professor of history at the University of Wisconsin-Madison, is author of *The Politics of Heroin* and *Drug Traffic: Narcotics and Organized Crime in Australia.*

Jonathan Marshall is economics editor of the *San Francisco Chronicle* and co-author, with Peter Dale Scott, of *Cocaine Politics: Drugs, Armies, and the CIA in Central America.*

Peter Dale Scott, professor of English at the University of California at Berkeley, is co-author, with Jonathan Marshall, of *Cocaine Politics: Drugs, Armies, and the CIA in Central America.*

James M. Van Wert has served as controller/executive director of the Bureau of International Narcotics Matters, U.S. Department of State, in Washington, D.C., and is now chief financial officer in the Small Business

Administration. He is author of several papers and articles on international narcotics control.

1
U.S. Narcotics Policy: An Anatomy of Failure

Alfred W. McCoy & Alan A. Block
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Reflecting a deepening public concern about the pandemic of cocaine and heroin, President George Bush declared his "War on Drugs" in September 1989 with a dramatic White House speech that seemed to launch a major foreign policy initiative.[1] In its *National Drug Control Strategy* released simultaneously, the White House was even more explicit: "In the past, programs . . . have been hampered by the lack of importance given by this country to the drug issue as a foreign policy concern. We must develop . . . a broad, meaningful public diplomacy program in a manner that will increase the level of international intolerance for illicit drugs."[2] Although soon eclipsed by events in Eastern Europe and the Persian Gulf, the drug war still commands an appropriation of $11 billion in the 1991 budget, making it one of the largest U.S. government programs.[3]

Initially, of course, the Bush "drug war"–a direct extension of President Reagan's earlier campaign-was really a war on cocaine. Reinforcing the weapons of repression deployed by the Reagan administration, America's cocaine war quickly evolved a three-part strategy: pressing the Andean source countries to eradicate coca leaf cultivation, cutting the flow of drugs northward from the Caribbean and Mexico, demanding draconian law enforcement for domestic users and dealers. Escalating suppression to unprecedented levels, the Bush administration has involved the U.S. military directly in drug law enforcement[4] by invading Panama with 24,000 troops,[5] floating plans for a battle fleet off the coast of Colombia,[6] and dispatching the Green Berets to Peru.[7] These events have led many observers to believe that narcotics suppression, particularly against cocaine,

may well become the main pretext of U.S. intervention in Latin America for the rest of the decade.

More recently, the Bush administration seems to be enlarging its drug war to include heroin. After a long history of covert operations that contributed indirectly to the rise of heroin production in Asia's opium zone, the United States now seems poised to mount a massive operation against this drug trade. In December 1989, a U.S. prosecutor in Brooklyn indicted Burma's reigning "heroin king," Khun Sa, for conspiracy to import narcotics—a quixotic act that highlights the difficulty of declaring war on an invisible commodity trade.[8] While the United States could invade Panama to haul a manacled General Manuel Noriega before a Miami judge, a parallel incursion into the rugged mountains of northern Burma to bring Khun Sa before a Brooklyn jury seems risibly remote. Nonetheless, if domestic heroin abuse continues to expand at the same rapid rate that it did in 1990 and 1991, this effort may well mean surveillance of Asian communities inside the United States or increased intervention in Southeast and Southwest Asia. In this battle the Bush administration clearly expects help from its allies, but many have their own agendas and may prove uncooperative.

Despite White House claims to the contrary, there is mounting evidence that the Bush drug war and its underlying policy of repression have failed. Only months after the President's declaration of war on drugs in September 1989, the White House began using surveys of drug abuse to claim a partial victory. In January 1990, presidential narcotics chief William J. Bennett announced that "the scourge is beginning to end."[9] A year later, Dr. Louis W. Sullivan, Secretary of Health and Human Services, announced the results of questionnaires from high school seniors which indicated a drop in crack use from 4 percent in 1986 to only 1.9 percent in late 1990. Dr. Sullivan called the results a "significant milestone underlining considerable progress." Commenting on these findings, Mathea Falco, former Assistant Secretary of State for Narcotics Matters under President Carter, said that "crack and cocaine are finished when it comes to young people in the middle class."[10] Citing a similarly structured National Household Survey on Drug Abuse, the White House issued a major report in February 1991 claiming that overall drug abuse had declined 11 percent between 1988 and 1990, driven by a sharp 29 percent fall in "occasional cocaine use" and a

dramatic 49 percent drop in adolescent cocaine use, the latter trend described as "far better, and years faster, than originally hoped for."[11]

Unfortunately, however, surveys that relied upon individuals volunteering information about their own drug abuse were not the most accurate indicator of addiction-arguably a much more serious social problem than casual use. In December 1990, Senator Joseph Biden's Judiciary Committee, using a cluster of objective data, found that cocaine related deaths had increased by 10 percent since 1988 and *daily* cocaine use by "hard core addicts" was up by 15 percent.[12] Indeed, the National Household survey itself estimated that the number of *daily* cocaine users increased from 292,000 in 1988 to 336,000 in 1990.[13] Similarly, the Washington, DC police reported that drug-positive urine samples from arrested juveniles jumped from 10 percent in October 1990 to 26 percent in July 1991. In particular, those suspects using cocaine climbed from 7 percent in March to 17 percent in July.[14]

Compared with the more complex and intractable problem of daily cocaine abuse, the Bush administration's emphasis on reducing casual use seems misplaced. Although their numbers seem at first glance impressive, casual users consume very little cocaine, place few demands on treatment facilities, and rarely appear before the courts. By contrast, "heavy users" comprise only 6.9 percent of all drug users but consume 63 percent of the U.S. cocaine supply.[15]

Despite annual appropriation of $2.7 billion to slow the flow of drugs into the United States, there is mounting evidence that this aspect of the drug war is also failing. In 1991, the General Accounting Office reported that U.S. intelligence agencies "agree that the estimated volume of drugs entering the country during 1989 and 1990 did not decline." After spending $13 billion on interdiction over ten years, there was no indication of any sort-price, purity, or consumption—that the U.S. cocaine supply had been reduced. In 1990, the Pentagon detected 6,729 suspicious aircraft flights entering the United States, but the military caught only 49 of the 661 aircraft it had tried to intercept.[16] America's operations in the Andes had little apparent effect, and coca leaf production, according to conservative U.S. State Department estimates, rose steadily from 291,100 tons in 1987 to 337,100 in 1991.[17] Similarly, after three U.S. bilateral drug wars over the past 20 years, the world's illicit opium production increased four-fold from

990 tons in 1971 to 4,200 tons in 1989.[18] In 1990, for example, a sudden surge in heroin smuggling from Southeast Asia reduced New York City's wholesale price from $100,000 to $60,000 per kilo.[19]

With over 70 percent of federal funding allocated for enforcement, White House narcotics policy simply ignored the reality of the global drug trade with its elusive economic and political dynamics. Since the late 18th century, narcotics have emerged as major commodities with Third World producers and First World consumers linked in an elaborate global exchange. Prohibition of narcotics during the 1920s did not eradicate the trade, but simply drove it into an illicit economy controlled by upland drug lords and urban crime syndicates. When President Nixon launched America's first drug war in Turkey and brought the blunt baton of law enforcement down upon one of these global commodities, heroin, the results were decidedly mixed. Although repression disrupted the trade for several years, over the longer term Nixon's drug war operations, as McCoy's essay explains, stimulated both global opium production and heroin consumption.

Ignoring these lessons, the Reagan and Bush administrations have pursued parallel policies in Latin America with similarly dismal results. In essence, their campaign against cocaine extended a local law enforcement model into the international arena in a way that failed to reduce either coca production or cocaine exports. By the late 1980s, cocaine had grown into a major commodity that was fully, albeit invisibly, integrated into legitimate inter-American economic relations. In Colombia, for example, the production of some 310 tons of cocaine in 1988 employed 300,000 workers and earned 20 percent of the country's foreign exchange worth $1.5 billion-only slightly less than the $1.6 billion from coffee, the country's largest legal export.[20] Further south, cocaine, according to Rensselaer Lee's calculations, provides 20 to 30 percent of Peru's foreign exchange and well over 50 percent for Bolivia where a remarkable 5 to 6 percent of total population are directly employed in the illicit industry.[21] In the prime coca terrain along the Andes, the surge in U.S. cocaine consumption has fueled an explosive increase in coca leaf cultivation—in Peru from 15,058 tons in 1970[22] to a crop of 135,000 to 380,000 tons in 1987;[23] and in Bolivia from 4,800 metric tons in 1963[24] to a 1988 harvest calculated at 56,400 to 155,452 tons.[25]

Rising coca production met economic imperatives on both sides of the Caribbean. The economic benefits of the coca boom were most obvious in Bolivia. As tin mining, the country's main export for over a century, contracted by 30 percent in the early 1980s, unemployment tripled to 20 percent and personal income, already the hemisphere's lowest, declined to desperate levels.[26] As annual hyperinflation soared from 297 percent in 1982 to 11,750 percent three years later, the peso was devalued from 25 to the U.S. dollar to 1,000,000–thereby crippling both legitimate exports and the country's capacity to earn foreign exchange to service its heavy debt. Indeed, Bolivia's foreign debt of $4.5 billion was twice size of the country's GNP of $2.0 billion, requiring about 25 to 30 percent of total export earnings for loan servicing.[27] While the country's gross national production (GNP) fell by 2.3 percent every year from 1980 to 1986, coca production grew at an average annual rate of 35 percent-providing employment and foreign exchange that averted a virtual economic implosion. In 1986, for example, a quarter of the 20,000 Bolivian miners who lost their jobs sought employment in the coca fields.[28] Desperate for export income to feed its peasantry and service its foreign debt, Bolivia became dependent upon coca cultivation for its national survival.

Ironically, U.S. farm lobbies blocked crop substitution programs that could have reduced Bolivia's dependence on coca exports. Despite Bolivia's clear need for new crops to provide employment and foreign exchange, American agricultural interests barred the U.S. Agency for International Development (AID) from promoting legal alternatives to coca cultivation in Bolivia and Peru. According to the General Accounting Office, between 1988 and 1991 Washington lobbyists, working through the U.S. Department of Agriculture, succeeded in blocking any aid for development of citrus and soy crops in the Andes on grounds on that they would increase competition with U.S. producers. "Despite concerns that Bolivian and Peruvian soybeans and citrus crops might compete with U.S. crops," reported the GAO, "Bolivia's and Peru's current production and exports are insignificant." Nonetheless, the USDA, regarding these crops as "politically sensitive," succeeded in cutting the AID budget by $100 million to block promotion of soy and citrus as alternatives to coca in the Andes.[29] Although these pressures were but one factor in Bolivia's coca boom, they are still revealing of the powerful institutional and economic forces on both sides of the Caribbean that encourage coca cultivation in the Andes.

Although there is a widespread perception that the Bush-Reagan drug war has been more rhetorical than real, it has, in fact, had a significant impact upon the narcotics problem. This campaign may have accomplished far less than administration publicists would have us believe, but we should not underestimate the power of the American state to effect change at home and abroad. Though there is little evidence that this war can ever be won, the attempt has inspired a major reorientation in American popular attitudes towards drug use. Under Reagan's earlier drug war, both drug arrests and the U.S. prison population doubled. After years of media propaganda, casual middle-class users have taken Nancy Reagan's advice and just said no to drugs. More broadly, the rising public concern, at times approaching hysteria, created a mandate for a massive campaign against drugs–an intensified federal enforcement effort, harsher prison sentences, and omnipresent anti-narcotics surveillance of ordinary Americans. President Bush's drug war is thus the latest escalation in a decade-long policy of repression that has crowded the courts,[30] filled the prisons,[31] corrupted law officers,[32] compromised our civil liberties,[33] and criminalized substantial sectors of American society.

During the Reagan-Bush years, the U.S. government's intense focus on narcotics control has ramified throughout the federal bureaucracy, mandating changes in priorities, rhetoric, and funding. To cite one example, in 1988 the passage of the Anti-Drug Abuse Act (Public Law 100-690) compelled the National Institute of Justice, the research arm of the Department of Justice, to place drug-control projects at the apex of its funding priorities. This research has had a direct impact on enforcement by projecting an image of an illicit industry so vast that "drug traffickers launder an estimated $100 billion per year in the United States."[34] Coping with such a major social threat has thus justified a draconian policy of punishing the user. As explained in its 1991 research plan, the National Institute of Justice (NIJ) is funding studies "designed to hold the drug user accountable." To make the implicit directive explicit for its future researchers, the ND states flatly: "The message is unmistakably clear: drug use will not be tolerated. "[35]

Such harsh enforcement has had a major impact on the quality of civil liberties in the United States. Inspired by the hyperbolic White House rhetoric, Congress, the courts, and state legislatures have used law to create a repressive climate that is affecting the quality of life for all Americans. In

the late 1960s, federal narcotics enforcement targeted a specific sub-culture of some 68,088 identifiable heroin addicts—who were subject to arrest for actual possession by specialized narcotics police and, if convicted by a jury, could be sentenced to treatment at the federal hospital in Lexington, Kentucky.[36] Today, three drug wars later, any motorist can be stopped on interstate highways for drug checks, millions of workers are required to undergo regular urinalysis, and inner city residents face summary search by para-military police. These and similar law enforcement procedures have eroded the protections provided under the Fourth Amendment of the U.S. Constitution against unreasonable search and seizure.[37] In the crisis atmosphere of the drag war, neither the public nor the mainstream media has asked whether the ephemeral effectiveness of such police action is really worth compromising a key tenet of the Constitution.

Under the new state and federal laws or the Reagan-Bush era, the courts have imposed heavy mandatory prison sentences on drug offenders, whether major dealers or casual users. In a direct and demonstrable way, the drug war of the 1980s expanded the U.S. prison population to unprecedented levels. Under President Reagan's campaign, annual drug arrests inside the United States doubled from 569,000 in 1977 to 1,155,000 in 1988.[38] Interestingly, three-fourths of all drug arrests in the late 1980s were for mere possession of drugs, including marijuana, not for serious smuggling or trafficking offenses.[39] Paralleling the rising rate of arrests, during President Reagan's two terms the U.S. prison population doubled from 369,930 in 1981 to 627,402 in 1988.[40] After remaining more or less constant at 100 prisoners per 100,000 population for over half a century, the U.S. prison population started soaring from its 1980 base of 138.[41] By 1989, America's rate reached 426 prisoners per 100,000 population,[42] some ten times higher than the figures of 40 for the Netherlands and 45 for Japan.[43] Significantly, the U.S. imprisonment rate of 426 was far ahead of authoritarian states such as South Africa with 333 and the Soviet Union with 268.[44] Among this swelling prison population, drug users comprised over one-third of the 44,000 federal prisoners in 1988 and the trends were pointing upward.[45]

Sparked by the Bush drug war, the U.S. prison population continued its inexorable climb. In the first months of his administration, the war produced a 30 percent increase in New York City drug arrests and a sharp

60 percent rise elsewhere in the state. Noting the rising number of felony arrests and prison sentences, New York's Director of Criminal Justice explained: "Drug offenses continue to be the principal driving force behind these significant increases."[46] In the first full year of Bush's war on drugs, 1989-1990, America's prison population rose by 6.6 percent to 1.1 million. At an annual cost of $20.3 billion, the U.S. imprisonment rate had reached 455 per 100,000 population, the highest for any major nation.[47]

Increased arrests forced state and local governments to expand their prison capacities. Although not reflected in most Department of Justice statistics, local incarceration for drug arrests also showed a marked increase under the Bush administration. In southern Wisconsin, for example, the Dane County Sheriffs Department saw drug arrests double from 418 in 1988 to 894 in the first eleven months of 1991.[48] Overwhelmed by this unanticipated surge in drug cases, Dane County, like local governments across the country, is being forced to finance new prison construction.[49] As the courts continue to process the prisoners captured in Bush's drug war, state and federal governments have also launched new prison construction programs to hold a convict population, already the world's largest, that seems destined to grow even larger.

Although it is too soon to assess the impact, the drug war's focus on street-level law enforcement may have effectively criminalized a substantial portion of the African-American population, thereby contributing to a rise in racial tensions within the United States. From the outset, the enforcement emphasis of the Reagan-Bush drug war targeted inner-city street dealing in a way that produced a disproportionate number of black arrests. Federal drug laws require mandatory sentences that are much longer for crack, which is prevalent in minority communities, than cocaine powder, a drug favored by affluent white users. Under Federal law, suspects convicted of selling only 5 grams of the cocaine derivative "crack" worth $125 face the same mandatory five-year sentence as those handling 500 grams of pure cocaine worth $50,000.[50]

In December 1990, Judge Pamela Alexander of Minnesota's Hennepin County Court attracted national attention when she dismissed crack possession charges against five black defendants on grounds that state drug statutes were unconstitutional. The Minnesota law required a four year jail term for first-time offenders possessing three grams of crack and probation

for those found with the same amount of cocaine powder. "There had better be good reason for any law that has the practical effect of disproportionally punishing members of one racial group," explained Judge Alexander. "If crack was significantly more deadly or harmful than cocaine, that might be a good enough reason." The head of Minnesota's Office of Drug Policy issued a simultaneous report that found no real difference between crack and cocaine: "All I've seen is anecdotal evidence that the two drugs are different, most of it from police and prosecutors who tend to simply repeat each other after a while."[51]

There were, moreover, indications of racial bias in the enforcement of these drug laws. In April 1990, Justice Carol Berkman of the New York State Supreme Court struck down cocaine possession charges against a black woman arrested at the Port Authority Bus Terminal. Noting that all the defendants that the Port Authority Police had brought before her court were minorities, Justice Berkman stated: "The picture emerges is one of discriminatory law enforcement which does incalculable damage to our civil liberties and which produces at best questionable results for the war on drugs." Although denying any bias, Port Authority Police did admit that 65 to 75 percent of those arrested in its drug interdiction campaign were Hispanic or black.[52]

Reflecting the racial bias in both drug laws and their enforcement, disproportionate numbers of black Americans were arrested and convicted of petty drug offenses under the banner of the war on drugs. In February 1990, the Sentencing Project, a Washington, DC research group, reported that "almost one in four (23 percent) Black men in the age group 20-29 years of age is either in prison, jail, on probation or parole on any given day." In a striking contrast, the figure for white males was only 6.2 percent. This report also found that, largely because of the drug war, the number of black prison inmates had doubled between 1979 and 1988, a period when the overall crime rate increased by only two percent.[53] Analyzing prison statistics for 1990-1991, the Project found that the U.S. prison rate for black males was 3,370 per 100,000 population, compared to just 681 for South Africa.[54]

Given the pervasive influence of the drug war at home and abroad, these essays try to answer some basic questions about the international consequences of U.S. narcotics policy. Can the flow of drugs from Third World source countries to consumers in Europe and America be reduced

enough to effect supplies on the streets of our cities? Can international interdiction efforts slow the flow of drugs into America even if source country efforts fail? If all these international efforts do ultimately fail, can the United States solve its own drug dilemma simply by changing its domestic policies?

Although the policy variables are too complex for a scientific prediction, there are nonetheless historical precedents which can provide some basis for assessing the current drug war. Since the United States first banned the sale and import of narcotics in 1914, succeeding administrations have pursued a range of repressive strategies that share one essential attribute–failure.

These essays identity two mam reasons for the poor results from past American attempts at international interdiction. Over the last century, narcotics trafficking has elaborated into a global commodity trade too complex and resilient for effective law enforcement. Of equal importance, the priority given to national security operations in the drug source countries during the Cold War has, at certain critical points, compromised the U.S. interdiction effort.

A History of U.S. Drug Enforcement

After the start of full narcotics prohibition in 1920, the federal government focused on domestic suppression through the Narcotics Bureau, a division of the Treasury Department and the predecessor of the Federal Bureau of Narcotics (FBN). Exemplified by the long crusade against legal opium smoking in Asia, America's limited international initiatives, led by the Protestant churches and U.S. observers at the League of Nations, remained multilateral. At home in the United States, alcohol became legal in 1931 but the prohibition of drug use continued, led by the FBN and its long-time director, Harry J. Anslinger—a bureaucratic infighter whose skills at institution building rivalled those of his peer at the FBI, J. Edgar Hoover.

After World War II, the U.S. abandoned its multilateral approach to international suppression and extended the FBN's operations into Europe and the Middle East where it achieved a modicum of success. Crippled by

corruption and institutional inertia, however, the FBN and its successor, the Bureau of Narcotics and Dangerous Drugs, failed to cope with the expanded international traffic during the late 1960s, by then concentrated largely in Southeast Asia, an area outside the Bureau's expertise.

In 1972 the United States launched its first major attempt at bilateral suppression of the international traffic when President Richard Nixon declared "war on drugs." Fighting his first battle on the Anatolian plateau, Nixon, manipulating the close U.S. military alliance with Turkey, forced that country to eradicate legal poppy growing. Without a doubt, Nixon won this battle against opium. Supported by U.S. foreign aid, Turkey eradicated illicit poppy cultivation and Marseilles' heroin laboratories, then the main source of America's narcotics supply, closed for several years. But Washington could not win the war. During the next ten years, American drug syndicates simply shifted their sources—from Turkey to Southeast Asia, to Mexico, and then to Southwest Asia–remaining one step ahead of U.S. diplomats and drug agents. As Marseilles' laboratories closed, Southeast Asian syndicates expanded heroin production to fill the void in the U.S. market. When American agents started making major seizures of Southeast Asian heroin in the early 1970s, the region's drug syndicates then targeted untapped markets in Europe and Australia.

Despite its initial success, Nixon's drug war thus produced a paradoxical strengthening of the global narcotics traffic. By the late 1970s, the simplicity of the Turkey-Marseilles-New York heroin pipeline had been replaced by a complex of international smuggling routes that tied First World drug users to disparate zones of Third World production. With production and consumption now dispersed about the globe, the international narcotics traffic became a cat's-cradle of smuggling routes far more resistant to suppression than ever before. Thus, America's first attempt at an international solution had, over the long term, compounded the problem.

In many ways, the Carter administration's policy of restraint demonstrates the deleterious impact of Nixon's drug war. Deciding that imprisonment was worse than narcotics use and that international intervention did not slow the drug flow, the Carter White House, under the guidance of its advisor Dr. Peter Bourne, adopted a more cautious policy. With the exception of comparatively modest suppression operations against opium in Mexico, Carter de-emphasized drug diplomacy. Of equal

importance, he also downsized the CIA and restrained its covert operations during his first three years in office. Significantly, Carter's term coincided with the first decline in U.S. narcotics abuse since the late 1940s. However, with the start of CIA's Afghan operation in 1979, Southwest Asian heroin flooded the world market and, as Lawrence Lifschultz explains, soon supplied 60 percent of U.S. demand.

Ignoring the lessons or Nixon's Anatolian campaign, President Bush is using the same strategy for his drug war in the Andes—a combination of diplomacy and suppression to cut the drug flow at its source. Despite these similarities, Bush has adopted some novel tactics—most importantly, mobilizing the resources of the U.S. military. In a comparatively modest effort, Nixon had reinforced the Drug Enforcement Administration (DEA) with State Department diplomacy and CIA intelligence. Unlike Bush, Nixon never drew upon the resources of the U.S. military. Despite these formidable new weapons in his arsenal of repression, Bush's strategy is likely to fail for the same reasons that Nixon's did. Why?

The Nature of Narcotics

Repression, no matter how extreme, is incapable of controlling the complexities of the international narcotics trade. Under optimum circumstances, the combined force of law, judiciary, and police can eradicate petty vice within the confines of a single city. Once the illicit commerce is national or global, however, law enforcement becomes too feeble an instrument to effect a successful eradication. Among the major vice trades, narcotics trafficking is perhaps the least susceptible to legal suppression. Thus, a close study of the traffic's history indicates that increased repression usually produces an expansion of both supply and demand.

Over the past 200 years, narcotics–opium and coca derivatives—have emerged as major commodities that have, like coffee or tea, bound Third World producers to First World consumers in a global commerce. By 1900, China's opium industry had grown to such vast proportions that it would continue to influence the country's politics until the revolution of 1949. Since the late nineteenth century, highland growers in the Andes and along

the southern rim of Asia have become dependent upon coca and opium as their major cash crops. In such remote, rugged regions with costly transport and poor market access, narcotics, with their light weight and constant demand, remain the only viable commercial crops. These mountains, moreover, frequently serve as refuge for rebels who find narcotics, with their illicit production and marketing outside the reach of the state, an ideal economic base for insurgency. Whether in regions of rebellion or government control, drug production dominates many highland areas of Asia and the Americas, thereby creating a potent constituency for its survival.

Springing up at the interstices between great states and major trade routes, the drug trade has also created the economic basis for the survival of micro-societies that specialize in contraband. As Bruce Bullington shows in his study of the Bahamas, in recent decades the Caribbean micro-states have found their economic niche by providing critical support services for drugs in transit between Latin America and the United States. Responding to changes in U.S. tax and banking laws in the 1970s and 1980s, detailed in Alan Block's essay, the Caribbean countries, most notably Panama, prospered by licensing banks that specialized in international drug money laundering. Smuggling and finance might seem secondary functions, both in terms of profit and priority, but they have nonetheless become important to these fragile island micro states, distorting and ultimately dominating their political economies.

When the blunt baton of law enforcement is brought down upon such an elaborate commerce, drug merchants usually react in ways not foreseen by enforcement agencies. Treating global narcotics trafficking as if it were a localized vice such as pornography or prostitution, U.S. drug agencies often apply repression without any awareness of the intricate dynamics of these global marketing systems. Through the alchemy of capitalism, the lead of suppression has often been transformed into the gold of stimulus. As in the legal trade for commodities such sugar or wheat, a crop failure in one production zone–whether from war, drought, or disease–creates a shortage of supply and raises the price for producers elsewhere, stimulating increased production in the next crop cycle. Responding, in part, to such stimulus from three American drug wars over the past 20 years, global opium production rose from 1,000 tons in 1971 to 4,200 tons in 1989-1990.[55]

Similarly, the dismal results of the U.S. enforcement effort in Bolivia, as Jaime Malamud-Goti shows, sprang from the chronic inability of American officials to grasp the scale and scope of the country's pervasive coca trade. Instead of eradicating the drug trade, U.S.-sponsored suppression in western Bolivia during the early 1980s drove coca cultivation steadily eastward towards Brazil, encouraging a constant expansion of both production and processing.[56] Driven by the same dynamics, pressure on cocaine processing in Colombia in the late 1980s pushed key elements of the industry into neighboring Ecuador, dispersing production and reducing the risk of seizures.[57] Despite highly publicized surrenders of Colombian cartel leaders throughout 1991, the United Nations reported in early 1992 that the country's "cocaine trafficking continues unabated." Showing a continuing resilience in the face of these arrests, the Colombia cartels launched the export of locally manufactured heroin to the United States in early 1991, seeking the higher profits that heroin offered with a wholesale price of $200,000 per kilogram compared to only $14,000 for cocaine.[58] Suppression thus became another stimulus for expanded production and processing. Even under optimum circumstances, any attempt at eradication can serve to compound the problem.

Unfortunately, U.S. anti-narcotics efforts have not operated under optimum circumstances. Over the past 40 years of the Cold War, American and allied intelligence agencies have launched covert operations in the drug producing areas that have played a significant, albeit indirect, role in protecting the global drug traffic.

During the 1980s, for example, the CIA's two main covert wars were fought on Cold War battlefields that had also become strategic zones in the global narcotics trade. Repeating its earlier experiences in Burma and Laos, the Agency's logistic support for Afghan guerrillas through bases in Pakistan coincided, as Lawrence Lifschultz explains, with the emergence of Southwest Asia as the major heroin supplier for Europe and America. Similarly, CIA support for the Nicaraguan contras spawned serious allegations, analyzed by Peter Dale Scott, that the agency's covert action assets-General Manuel Noriega, the Honduran military, and several contra factions-used their participation in CIA operations to protect their involvement in cocaine trafficking. In his detailed review of the agency's patronage of a Mexican intelligence agency that became deeply involved in the drug traffic, Jonathan Marshall adds another instance of the CIA's

alliance with major drug lords that seems part of a consistent and disturbing pattern of the Agency's operations.

The global trade in narcotics, combined with attempts at its suppression, has thus produced a peculiarly resilient political economy. By the time narcotics prohibition began in the 1920s, coca and opiates were, as McCoy explains, already major commodities sustaining a global commerce among growers, manufacturers, and consumers. Prohibition of such a vast trade simply fostered an illicit traffic with extraordinary profits and extralegal systems of political power. These profits, of course, created the means to compromise government agents charged with suppression of the traffic. Moreover, with financial resources and large populations under their control, urban criminal syndicates and upland tribal warlords both became, during the forty years of the Cold War, important assets for covert-action agencies such as the CIA. By winning state support through clandestine service or simple corruption, the so-called "drug lords" have been able to insure the survival of their illicit industry. In some instances, leading Third World drug lords can use their vast incomes and a concomitant corruption as powerful weapons to challenge the authority of the state when they do not have its support. Thus, in Colombia, as Rensselaer W. Lee explains, cocaine cartels became so powerful that they were able to prosecute their own war against the state in retaliation for its attempt to restrain their illicit commerce. The Mexican drug syndicates are not powerful enough to attack the state, but their drug profits have, as Peter Lupsha argues, corrupted enough key officials to assure survival of the country's cocaine traffic.

The Future of U.S. Policy

All these essays on the supply side of the narcotics equation provide a sobering assessment of the drug war in the source countries of Asia and the Andes. Indeed, this failed exercise in international interdiction has actually compounded the problem. Although it eradicated poppy growing in Turkey and produced an immediate drop in the amount of heroin on the streets of America, President Nixon's drug war, over the long term, stimulated a major increase in opium production along the 5,000 miles of the Asian opium zone. Similarly, as Malamud-Goti observed while serving as

Argentina's senior drug official, the success of DEA's crop eradication in the limited areas accessible to Bolivia's capital actually forced an expansion of coca growing across the country's vast eastern provinces.

This problematic economic impact is aggravated by a bureaucratic dimension. Operating as a powerful, autonomous agency in a region remote from Washington's controls, the DEA and the State Department's local counterpart pursue policies that serve the logic of their bureaucratic interests rather than the imperative of coca control in the Andes. Without pausing to consider the consequences of their repression on the actual drug trade, individual agents pursue spectacular busts that will advance their careers, and the DEA's Bolivia unit advocates an ever increasing expansion of funds, equipment and personnel.

Reflecting on their insights and information, these essays seem to offer some specific prescriptions for U.S. international narcotics policy. Most importantly, the United States should re-examine the results of its entire eradication effort along the Andes. Defoliation may well destroy the current coca crop, but the bush itself is a hardy perennial that will soon revive unless it is actually uprooted by hand. Since Andean peasants in the remote coca zones have no alternative income, the destruction of an entire harvest simply forces them to recoup their loss by expanding cultivation in the next coca crop. While such radical bilateral measures certainly have not worked, crop substitution through international agencies such as the U.N. Fund for Drug Abuse Control might produce a long-term decline in coca cultivation. But it will do little good to promote substitute cash crops unless the United States somehow allows the Andes' legal agricultural exports the same unrestricted access to its markets that cocaine has enjoyed for more than a decade.

Similarly, militarization of international narcotics enforcement has not produced any tangible benefits. As Bertil Lintner shows in his analysis of DEA programs in Burma, the U.S. contribution of helicopters for anti-narcotics work simply improved the logistics of a corrupt Rangoon military regime that remains the main patron of the Golden Triangle heroin trade. Moreover, Malamud-Goti found that the Reagan-Bush drug war has provided the Bolivian military with arms and equipment to become more active as principals and protectors of the country's cocaine trade. Competition for U.S. military aid has promoted a great deal of internal

conflict among Bolivian agencies that has virtually crippled any actual enforcement effort.

Even if all these suggested reforms were actually adopted, they might not solve the supply side of the drug problem. But there is a possibility that these measures, unlike the current drug war programs, would not make the situation worse.

The drug war's approach to the demand side of the equation is equally problematic. In its reporting of the current cocaine problem, U.S. domestic media has given the impression that mass narcotics abuse is a relatively recent American phenomenon. In effect, by projecting an image of sudden and grave social crisis, the media encourages popular pressure for immediate action and immediate results. If something is wrong, then just fix it–do whatever has to be done, the public and its media voice cries out, to eradicate this new narcotics supply and suppress the sudden surge in drug demand. By contrast, recent histories of the American drug abuse show that mass narcotics consumption first appeared in the early nineteenth century. As government policy and public attitudes have altered over the succeeding century and a half, there have been dramatic changes in the level and kind of U.S. narcotics abuse. After each peak in drug use–the 1890s, the 1960s, and 1980s–a period of prohibition has followed, depressing demand through a mix of government repression and populist, quasi-religious crusades.[59]

Can we conclude that the only way to have any impact upon demand is to reduce supply? Or should we incline towards James Van Wert's view, based upon his survey of U.S. drug policies over the past twenty years, that the solution might lie in reducing domestic demand through education and treatment.

The superficial, spotty coverage of the contemporary traffic makes both prediction and policy recommendations difficult. The standard literature on heroin and cocaine leaves much to be desired, but there is very little in either academic or popular writing on designer drugs like methamphetamine, PCP, or MDA. No matter how effective border interdiction might become America will always have the drugs to supply domestic demand. If foreign sources were eradicated and U.S. borders sealed, criminal syndicates could quickly produce limitless supplies of synthetics. Drugs are not simply something visited on innocent Americans by sinister foreigners.

As America grapples with its narcotics problem in the 1990s, there is every indication that President Bush's drug war will confirm the lessons of Nixon's earlier effort—increased repression can indeed offer a brief respite from a particular drug epidemic, but it does not represent a long-term solution to the overall problem. In an effort to discern something of the future, these essays thus probe the past and its unfortunate interaction between U.S. policy, the commodity trade in narcotics, and the politics of drug trafficking in the source countries.

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PART ONE
United States Narcotics Policy

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2
International Narcotics Control: Bush's "Other War"--Are We Winning or Losing?

James M. Van Wert

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The ideas and concepts contained herein are those of the author and should not be construed in any way as the official policy of the United States government.

Introduction

In a 1990 evening broadcast, CBS News anchorman Dan Rather described drug abuse as the most destabilizing phenomenon in our society since slavery. He said that drug production and abuse victimizes everyone, producer and consuming nations alike. Similar to environmental health, economic development, regional stability and counterterrorism, narcotics control has become a global issue that requires a coordinated international response.

In 1988, when he cited drug control as one of his major campaign themes, George Bush understood the importance of this public policy issue.[1] The world community also perceived this reality when it pushed to ratify the United Nations Convention on Drug Abuse. And more important, prior to the Persian Gulf Crisis in August 1990, it was conjectured that in 1989 drugs were the number one national priority in this country.

Drugs that affect behavior have been known and used since the beginning of humankind. The history of drug use and various societal and governmental responses to address this complex behavioral phenomenon have been chronicled by historian and political scientist alike.[2] In a sense, no other public policy issue has been more hotly debated, more fraught with political extremism, or more difficult to manage organizationally and functionally than drug control. Policy analysts and government administrators have dealt with the drug issue variously as a law enforcement, a health, an economics, a security/counterterrorism, and a foreign policy issue. As a public policy concern, reduction of drug abuse is all of these; but above all, it remains for the United States today a foreign policy issue, because all of the heroin and cocaine and much of the marijuana consumed in this country originate from overseas. As long as taking drugs remains a complex behavioral phenomenon, reducing illicit drug production, trafficking and abuse will remain a complicated and long-term task. Ultimately, if the world demand for narcotics and dangerous drugs can be eliminated, or drastically reduced, the problem will be solved. Yet, changing attitudes and behaviors related to drug demand is often a generational task which does not occur overnight and results from systemic prevention and education; consequently, unless one adopts a policy of legalization, the United States government (U.S.) must also attempt effective short-term reductions in supply as a corollary policy goal.

Since all of the heroin, cocaine, and much of the marijuana abused in the United States comes from foreign countries, any U.S. strategy to reduce drug abuse must have an international component. And indeed, Secretary of State James Baker in his 1991 Congressional Appropriation testimony listed the elimination of terrorism and narcotics as one of the five major Administration foreign policy objectives.[3] Over the past several years, three foreign policy objectives have dominated our bilateral hemispheric relations: promotion of democratic ideals, building sound economic programs, and drug control. In many South American countries, it is difficult to discuss

democratic stability and economic health without also addressing the counternarcotics and counterterrorism concerns.

Effective counternarcotics programs are in the United States' best interest for at least three reasons. First, reducing drug supplies may have a positive affect on reducing the demand for narcotics. For example, by making drugs relatively hard to find and expensive to use, supply reduction efforts discourage new users from experimenting with drugs and risking future chronic and intensive involvement. Control measures also deter use and motivate current users to seek treatment. Alternatively, increases in availability may fuel increasing demand among the consuming populations. Therefore, if we help source countries reduce drug production below the level of world demand, we are indirectly reducing drug consumption in the United States.

Second, reducing drug supplies may also reduce the level of organized crime and lawlessness in the United States. Successful programs will result in preventing trafficking organizations from supplying illegal goods, seizing their ill-gotten wealth, prosecuting them for corrupt practices, and weakening or eliminating them as threats to society.

Third, promoting effective counternarcotics efforts can serve to enhance the democratic strength of friendly nations, thus enabling the growth of healthy economies which, in turn, creates higher standards of living within the country and attractive trading partners for U.S. business interests. Reducing the drug production in source countries can also result in reduced levels of corruption, political instability, and violence.[4]

In his State of the Union Address on January 29, 1989, President Bush stated that we would not rest until the day of the dealer was over. Although current U.S. policy calls for a balance between demand and supply reduction, the international portion of the overall strategy has historically been biased toward improving law enforcement efforts to reduce drug production. Our major focus has been on reducing production, trafficking, and smuggling of narcotics. Nearly 70 percent of the 10.6 billion dollar 1991 drug budget is for supply reduction and 30 percent for demand reduction. In the FY 1993 budget approximately $8.5 billion of the $12.7 billion requested is for domestice enforcement and international border control and the remainder for demand reduction.[5]

In this essay, I shall briefly summarize international narcotics control approaches since the birth of the modern International Narcotics Control

Program in 1961; describe the uniqueness of the Bush Administration's Drug Control Strategy which revolves around the concepts of conditionality, linkage and targeted resource increases; and touch upon some of the complexities of implementing an effective counternarcotics program. Last, I shall assess briefly the impact of the drug war and, using some of the health and survey indicators, predict what may occur in the next ten years. This essay does not attempt to provide any historical or political critique; rather, it attempts to summarize the broad policy shifts which have brought us to our current approach.

Historical Evolution

One can define four phases in the U.S. government's international narcotics control response: a) Pre-1960, b) 1960 to 1971, c) 1971 to 1988, d) 1988 to present.[6] During these periods, major differences have existed in priority accorded to a particular drug, functional approach emphasized, and U.S. organizational alignments to respond to the various epidemics.

Prior to 1960, the federal government's international response was primarily diplomatic, not programmatic. The U.S., under the direction of the State Department and later under the Treasury's Federal Bureau of Narcotics (FBN), participated in international conferences and collaborated in the writing of international conventions. Early examples include the 1909 Hague Opium Convention and the 1911-1912 Shanghai Convention. Subsequent to passage of the Harrison Act in 1914, which made narcotics and dangerous drugs illegal under United States Tax and Excise laws, the U.S. response was principally regulatory and, until 1971, did not involve the foreign affairs agencies significantly. U.S. policy confined itself to diplomatic representation in international fora.

The International Narcotics Control Program was born in 1971 with the creation of President Nixon's Cabinet Committee for International Narcotics Control (CCINC). Largely framed as a reelection issue, narcotics, or more appropriately, the heroin issue, received direct policy attention from John Erlichman and Egil Krogh in the White House. In the late 1960s, several strong law-and-order measures had been taken by the outgoing Johnson Administration, such as passage of the Omnibus Crime Bill and the creation

of the Law Enforcement Assistance Administration in the Justice Department. Richard Nixon furthered this law enforcement approach by summoning to Washington his ambassadors from Mexico, Turkey, and France to direct them to move more aggressively with their foreign counterparts to reduce the amount of heroin coming into the United States.

In 1971, CCINC, chaired by the Secretary of State, increased pressure on the heroin-producing countries of Turkey, Mexico, and the Southeast Asian Golden Triangle countries of Thailand, Burma, and Laos to reduce the flow of heroin to the United States. Shortly thereafter, the President also created the Office of Drug Abuse Law Enforcement (ODALE) to mount broader law enforcement efforts on our city streets and prepared the way ultimately for the amalgamation of five separate agencies into a new organization, the Drug Enforcement Administration (DEA).

On July 1, 1973, with the consolidation of the Bureau of Narcotics and Dangerous Drugs (BNDD), ODALE, Customs Office of Investigations, Bureau of Drug Abuse Control (BDAC) and the Office of National Narcotics Intelligence (ONNI) into one organization called the DEA, the federal government began to articulate more formally its law enforcement approach both domestically and internationally. The emphasis continued to be on heroin and the criterion used for policy priority was the negative health consequences of heroin consumption. At that time, it was argued that cocaine and marijuana, two other predominately foreign source drugs, had less negative impact on society.

The politicians declared a war on drugs, the White House established a Special Action Office for Drug Abuse Prevention (SAODAP), headed by Dr. Jerome Jaffee, and the public was told there was a heroin epidemic. In the international arena, the Agency for International Development (AID), an organization empowered to provide public safety training to foreign police under the Foreign Assistance Act, particularly in Southeast Asia and in South America, was transformed into a narcotics control planning and implementation unit. Although the unit was formally abolished by the Congress in 1972, the remnants of the public safety program continued solely as an international narcotics control unit within AID, centrally-managed in Washington.

Between 1972 and 1978, the Department of State continued to exercise as a collateral duty the policy formulation tasks mandated by the CCINC. When Watergate consumed the Nixon White House, the drug control issue

lost much of its national prominence and political importance. The remnants of the public safety organization continued to implement programs overseas, under the policy formulation direction of the Special Advisor on Narcotics Matters (SNM), Office of the Secretary of State.

In 1978, in response to the bifurcation of program implementation and policy formulation responsibilities between AID and State, the Congress created the Bureau of International Narcotics Matters (INM) in the Department of State, merging the international effort into one unit under the direction of the Secretary of State. The principal mission for this organization was short-term reduction in illicit production through eradication and income replacement schemes, and long-term institution building and infrastructure development through training, technical assistance and commodity support. The main drug control issue continued to be heroin in Mexico and Asia. Initial attempts were made at developing active programs bilaterally with Colombia, Peru, and Bolivia (the source of all cocaine), but the conventional wisdom was that heroin was addictive and cocaine was not. With the exception of some efforts by the Mexicans, marijuana reduction was not on the policy agenda.

Under Dr. Peter Bourne, President Carter's Director of the Office of Drug Abuse Policy (ODAP), a distinction was made between "recreational use" and addiction. No one denied that marijuana and cocaine might be dangerous, but since no physical addiction was involved and the societal impacts were believed to be less severe, the public policy objective of "greater good for the greater number" could be accomplished by emphasizing heroin-reduction efforts in Asia and Mexico. Programs existed in the cocaine source countries in the Andes and the transit countries of Central America and the Caribbean, but they were small and not very effective.

During the Reagan Administration (1980-1988), a dramatic shift in the overall policy of international narcotics control developed. First, the emphasis on drug targeted shifted from heroin to cocaine and marijuana, premised on the belief that greater numbers of Americans abused marijuana and cocaine. The criteria for this policy shift was no longer based purely on health concerns but on criminal factors where significant profit was being "earned" by criminal organizations. The Administration advanced a policy of zero tolerance for drug users, and under Dr. Carlton Turner, Reagan's Director of the Drug Abuse Policy Office (DAPO), a new war on drugs was

declared. Once again there was a belief that the problem had reached epidemic proportions--only this time, the drug of choice was cocaine hydrochloride (HCl) and later crack-cocaine. Demand-reduction efforts, although significantly reduced at the Federal level in the first Reagan term, ironically had surprising success at the state, local and nongovernment organization (NGO) levels. Nancy Reagan's "Just Say No" campaign became a major rallying point.

Uniquencess of Bush Administration Strategy

In the past several years, the Executive Branch, the Congress and the public have placed increased attention on the drug issue. Drug control was a major election issue in 1988; it engendered spirited debate in the press, in academic fora, and in government policy meetings; it inspired the passage of Omnibus Drug Bills in 1986 and 1988 that broadened drug control responsibilities and increased resources; it led to the creation of the Office of National Drug Control Policy (ONDCP), under the leadership of Bush's first drug czar William Bennett. As stated above, it has been at various times during the past two decades a major diplomatic issue, a law enforcement challenge, a banking and economics problem, a health concern, a political and social issue, or a combination thereof.

Similar to past administrations, the Bush Administration recognizes that any viable approach must take into account the synergism between supply reduction (including overseas crop reduction, interdiction and domestic law enforcement) and demand reduction (including extensive public awareness and education, intervention schemes and clinical treatment and rehabilitation efforts). The Bush Administration, like its predecessors, also recognizes that drug abuse is a complex phenomenon rooted in a variety of socioeconomic causalities which are not amenable to simple law enforcement or drug treatment modalities.

Over the past twenty years, each Administration has attempted to deal with the issue as an integrated, multifaceted, and interdisciplinary approach to reducing demand at home and supply abroad. While the Reagan Administration began to deal with the root causes for drug use in this country, the Bush Administration is also recognizing and addressing the root

causes of production in foreign source countries. The Bush Administration Strategy, at least in its Andean strategy, attempts to deal with the broader societal, political, and economic environment surrounding drug production and trafficking.

The Bush strategy is premised on three concepts: linkage, conditionality, and increased resources. In formulating its Andean Strategy to reduce the availability of cocaine coming from Peru, Colombia, and Bolivia, the Bush Administration asserted that effective narcotics control is linked to two other major foreign policy issues in the hemisphere; that is, promoting strong democracies and building healthy economies. The Administration recognized that in some locations it was necessary to assist host government military and police organizations control insurgent areas so that the host nation could implement narcotics control programs. In essence, the goal of counternarcotics was linked to national priorities for these nations, that is, extending the writ of government control throughout their national territory, and reducing the threat posed by counterinsurgent groups, who were increasingly working with narcotics traffickers.

Second, the Strategy emphasizes the concept of conditionality. The Administration requested and received funds for the Andean nations predicated on successful accomplishment of bilaterally-negotiated targets. This Strategy offers the major "carrot" of economic assistance to the governments which reduce drug trafficking and production effectively, rather than using only the threat of eliminating foreign assistance for a country that has not fully cooperated with the United States on the drug issue. Provision of economic assistance would be conditioned on positive results.[7]

Third, although every Administration has requested additional resources for the drug issue, under the Bush Strategy Federal drug expenditures have risen from $4.5 billion in 1988 to $12.7 billion requested for 1993 to reduce the international supply and domestic demand for drugs. Although critics argue that the five-year, $2.2 billion counternarcotics package for Colombia, Peru, and Bolivia may not be enough to diminish the economic dislocations caused by successful drug supply reduction efforts, it is the first time that real economic assistance is being offered, linked and conditioned on effective drug control. Some estimate that $.6-.8 billion, $.8-1.0 billion and $1.0-1.5 billion in hard currency is generated by the drug trade in Bolivia, Peru and Colombia, respectively.[8]

The Andean Strategy has four principal objectives: strengthen the political will and institutional capability of the three governments; increase the effectiveness of the military and law enforcement organizations to attack the various points in the cocaine economy (e.g., seize assets, attack laboratories, interdict drugs, eradicate fields, stop money laundering, remove precursor chemicals); investigate and immobilize major trafficking organizations; and finally, incorporate expanded economic assistance beginning in FY 1991 through FY 1994, to offset the negative economic dislocations resulting from effective counternarcotics programs. As Congressional Research Service Drug Specialist Ralphael Perl writes, the Andean Strategy shifts the emphasis away from disrupting the coca farmers and producers to disrupting the activities of the traffickers at their major points of vulnerability. To accomplish this, the U.S. is willing not only to provide military assistance to counternarcotics forces but, for the first time, an economic assistance package as well.[9]

In Bolivia and Peru, where approximately 174,000 hectares of a worldwide total of 213,000 hectares were grown in 1991, 700,000-800,000 farmers make their living cultivating coca. In the short run, the economy needs a "jump-start," as Ambassador Edwin Corr calls it, to enable farmers to continue to receive an income once the coca fields have been eradicated. Sugar beets and soybeans, both grown in the Andean countries (albeit not in the immediate illegal coca growing areas) with a lucrative market in the United States, offer such an immediate return on investment. As Corr points out, however, the United States would have to "deal with" the sugarcane and soybean farmers in the United States and change the sugar quotas that affect Caribbean nations' exports. It would appear reasonable to provide subsidies to handle the political and economic repercussion of changing the quotas, particularly if the promised economic assistance results in weaning farmers off their coca cash crop more quickly.

In the longer run, as Peruvian Economist Gustavo Goritti writes, we should be looking at a type of "Marshall Plan" that would enable the economies of Peru and Bolivia to be restructured.[10] Developing regions from which the farmers migrated to grow coca in the Peruvian Upper Huallaga Valley and the Bolivian Chapare to encourage a return to their "home areas" is a first step. Providing agricultural credits, area development, investment potential, and hard currency support may represent economic incentives to encourage people away from coca. Debt restructuring or debt forgiveness in

return for coca reduction is another measure presented by United States Congressional interests.

Based on a February, 1990, agreement reached in Cartegena, the three Andean presidents and President Bush agreed to step up law enforcement efforts to control the air corridors, roads and rivers. They also agreed to decrease levels of corruption across a wide spectrum of counternarcotics organizations, forfeit significant assets from the coca business, strengthen judicial systems, and involve foreign militaries in securing regions of the country controlled by traffickers and/or insurgents.

If the Andean Strategy is successful, one would see significant increases in the price and decreased availability of precursor chemicals needed to make cocaine and its derivative products. A reduction in coca leaf prices over a six-month period would also encourage more farmers to eradicate voluntarily their fields, thereby garnering economic assistance. The Strategy was also designed to seize and destroy at least ten metric tons of cocaine and achieve a net reduction in coca production, as well as an increase in labs destroyed, creation of tougher laws, and the investigation and immobilization of major trafficking organizations.

Andean Strategy Results

In 1990, net coca production decreased in the Andes from approximately 221,000 to 212,000 hectares and in 1991, net production decreased further to 206,000.[11] Although the new Peruvian government under President Alberto Fujimori has been unable to coordinate a concerted military and police action against the traffickers, United States policy analysts believe that the economic incentives, particularly from the International Financial Institutions, will be sufficient to effect a bilateral agreement.

In Bolivia and Colombia, considerable counternarcotics progress has occurred. Bolivia cultivates about 50,000 hectares of coca leaf annually (culminating from four harvests each year in the Chapare) and exports coca paste for further processing in Colombia. The price under which it is no longer cost-effective to cultivate the leaf is approximately $39 per hundred weight of dry leaf. The market price for this leaf fluctuated from $5-51 per hundred weight during 1990. Approximately 30-35 trafficking organizations

move the coca paste made in the Chapare via light aircraft to Colombia for further processing into cocaine base and hydrochloride. In recent years, some of the paste has been refined in Bolivia before export. Key processing chemicals, such as ether, acetone, sulfuric and hydrochloride acid are not produced in Bolivia, but imported from Brazil.

In 1990, Bolivian enforcement agencies nearly doubled the number of cocaine hydrochloride and coca paste labs destroyed over 1989 and seized more than double the amount of essential chemicals. Bolivian authorities also destroyed a major trafficking network (the "Meco" Dominquez Group), arresting all the key personnel, destroying the processing facilities, and seizing assets, including aircraft, property and cash. Finally, for the first time, as a result of voluntary eradication, there was a net reduction in coca cultivation, declining from 53,400 to 47,900 in 1991.

In Colombia, 150-200 trafficking organizations, mostly belonging to the Medellin and Cali Groups, control the world's largest hydrochloride processing and distribution organizations. To some extent, the violence-prone insurgencies also engage in or benefit from narcotics trafficking. Colombia also produces nearly 40,000 hectares of coca and until 1986, nearly 60-80 percent of the marijuana supplied to the United States market. In 1991, aerial reconnaissance found only limited amounts of cannabis cultivation.

Colombia had impressive interdiction successes in 1991: nearly 77 metric tons of cocaine HCl and 9.3 metric tons of cocaine base seized; 14,000 arrests; 900,000 gallons of chemicals, 220 cocaine labs and 125 airstrips destroyed. Despite these law enforcement successes, policy analysts are watching carefully the "plea-bargaining provision" enacted in December 1990, under which traffickers turn themselves in, confess to at least one trafficking or terrorist charge, and be incarcerated in specially-designated prisons. In return, the traffickers receive reduced sentences and avoid incarceration. Pablo Escobar and the three Ochoa brothers, notorious Medellin leaders, have surrendered under this provision, making the Colombian government believe its judicial reform policy is working.[12]

Rensselaer W. Lee, III, an expert in Colombian cocaine politics and author of The White Labyrinth, believes a "negotiated settlement" makes sense only if it enables the authorities to cripple the existing drug business. For instance, traffickers should be required to disclose organizational secrets and provide information about the inner workings of the business (e.g., lab sites,

corrupt officials, transportation methods, distribution centers), and should be required to surrender the estimated $10-20 billion in illicit profits held in foreign banking. Moreover, the negotiated settlement should also include the Cali group and apply to "middle managers," not just kingpins of the cocaine business.

Of course, should the plea-bargaining proposal really work and result in major reductions in the coca trade, Lee points out the need for "macroeconomic" and "macro-political" policies in Bolivia and Peru that can facilitate a large-scale shift out of coca and cocaine-related occupations. If we are successful with Colombia, the price incentive will be abolished, forcing coca industry participants to seek legal sources of income. Problems that will need to be solved in Bolivia and Peru include: worthless currency, raging inflation, misdirected credit, bad infrastructure, security problems, and punitive taxation on legal activities.[13]

Opium Strategy

Our principal policy objective for heroin reduction is similar to that of cocaine: to motivate other governments to address their own drug problems, and to employ local resources in reducing the supply of illegal drugs. In Mexico, a separate strategy has been developed which places a new emphasis on the interdiction of cocaine smuggled through Mexico and increases the effectiveness of the ongoing opium and marijuana aerial eradication program. With the extremely positive and cooperative relationship of the current Salinas Administration, it is an opportune time for increased intelligence sharing, improved interdiction, and increased productivity in the opium poppy eradication efforts. In 1991, Mexico eradicated a record 6,545 hectares of opium, or about two-thirds, of its total 10,310 hectares of cultivation. It also enacted a number of criminal justice reforms to increase sentences, deny bail or parole for major violators; targeted official corruption; and continued a successful precursor chemical monitoring program.[14]

Heroin ranks second to cocaine as a drug threat to the United States and appears from all indirect indicators to be more available now than in the past several years. The price has decreased and the purity increased in the last

several quarters. Heroin trafficking is more profitable per kilogram than cocaine and could become once again a focus of international trafficking organizations since, historically, the Southeast Asian organizations have been well entrenched in the United States and have operated here for many years.

In the three source countries in Southeast Asia and the three source countries in Southwest Asia, the Administration has developed a strategy that recognizes the limited access the United States has in both regions and the historical dependency of farmers on opium production as a subsistence crop. The difficulty with implementing the heroin strategy is that at least three of the major producers of heroin are countries where we have little or no diplomatic access: Iran, Afghanistan, and Burma (now called Myanmar). The United States has only recently had any effective access in Laos. Thailand and Pakistan, the two smallest opium producers in the regions, cooperate with the U.S. in bilateral programs.

To reduce the world's heroin production, the United States must enlist the support of the multilateral organizations and attempt to stimulate regional efforts from countries which may have specific influence that the United States cannot muster. For example, China and Japan may influence Burma; the republics of the former Soviet Union may apply pressure on Afghanistan.

In 1991, nearly 26,000 hectares of opium (up from 21,000 in 1990) were cultivated in Southwest Asia and 195,000 hectares (up from 185,000) in Southeast Asia. From 1987 through 1989, good weather and unstable political conditions resulted in significant increases in opium production.

Burma is the world's largest cultivator and exporter of illicit opium and heroin, producing five times the opium of its Southeast Asian neighbors. Many of the outlying opium growing regions have not been under central government control since independence in 1948. Recent Burmese accommodations with the Wa and Kokang Chinese may have, in fact, facilitated the groups' increased drug trade. Over the past three years, since the anti-martial law demonstrations, the military government has abandoned its herbicidal eradication and basic law enforcement against the opium cultivators and traffickers. Peaceful coexistence with armed trafficking groups, coupled with the official claim that development efforts are needed to wean the local population from depending on opium, has resulted in a 50 percent increase in production over the past three years. The continuation of the Shan United Army (SUA) as a drug-producing group, which continues to

be at odds with the Wa and their Burmese supporters, complicates the political instability further. The Kachin Independence Army (KIA) also relies on revenues from opium. The result is political instability and expansion of the drug trade.

In Laos and Thailand, the other two Golden Triangle opium-producing countries, the United States government has bilateral agreements to reduce the estimated 34,000 hectares of opium cultivated and immobilize major trafficking organizations. Income replacement/rural development efforts in Laos have resulted in a decrease in opium production in the Houaphan Province. Unfortunately, parallel concrete enforcement action by the Lao has been conspicuously absent.

With its well-developed transportation system and explosive growth in the export sector, Thailand continues to be a major trafficking conduit. Current opium planting is estimated to be about half of the pre-1984 eradication level and about one-quarter of the mid-1960s level. After eradication, the net opium crop in Thailand in 1991 was approximately 35 metric tons. Law enforcement efforts, however, continued to show only modest results.

In Southwest Asia, an area which produces a little more than 10 percent of the opium produced in Southeast Asia, policymakers are presented with similar obstacles: political instability, lack of diplomatic access, corruption, and absence of central government control. In Afghanistan, the world's second largest opium producer, struggle for survival and consolidation of postwar factions take precedence over narcotics control. AID began a small project in 1989 to eliminate poppy cultivation and promote awareness among Afghans. United States inability to monitor progress and allegations of corruption among Resistance leaders has complicated current efforts to provide assistance in return for elimination of opium poppy cultivation.

Pakistan, an important opium producer and transit country, increased its production by 10 percent to 180 metric tons in 1991, due mainly to better weather and poorer economic incentives for legal farming. Some of the heroin produced remains in country to feed a growing addict population. Major areas of opium cultivation, processing and some trafficking occur in the remote, federally administered but politically autonomous tribal areas. Law enforcement efforts remain insufficient, although the Nawaz Sharif government has taken positive steps to combat drug production and trafficking, to include significant seizures of acetic anhydride, convictions of two major traffickers, and strengthened legislative and judicial tools.[15]

Complexities

The current international narcotics control policy direction poses a number of important issues and questions which highlight the overall complexity of this issue. Raphael Perl describes three major issues which must be considered: (a) Availability of resources, (b) militarization of the drug war, and (c) continuing foreign government cooperation. Several complex questions are inherent in these issues. First, can or should the U.S. effectively pay nations to stop producing illicit drugs? The risk, according to Perl, "seems comparable to that of paying nations to stop hijacking aircraft or taking hostages." Second, can the introduction of military assistance in what is basically a domestic law enforcement problem "inadvertently foster abuses of human rights as soldiers are not trained to respect the rights of civilians, and/or undermine the authority of already beleaguered democratic governments"? Third, can the law enforcement interests of U.S. policymakers be melded with economic, trade and social interests of Andean policymakers, resulting in sustained foreign cooperative programs?[16]

Additional complexities revolve around other important issues, such as domestic policy/program coordination, congressional micromanagement, foreign environmental considerations, and corruption. Each of these is critical to the success or failure of the international narcotics control efforts. Because international narcotics control is a complicated, multidimensional issue, the solution will, of necessity, be a complex, long-term one. Many U.S. agencies are involved, each with its own mission, organizational bias and approach. Only two of the twelve federal government departments do not have a role in the drug abuse issue, with at least twenty-five agencies having a mandate and expending resources to implement the federal strategy. Coordinating the activities of these many agencies has been an enormously complicated task, particularly when national security agencies must deal with traditional law enforcement organizations.

In recent years, the Congress has begun to legislate a number of provisions that critics believe constitute micro-management, such as provisions relating to the titling of aircraft, prohibition on arms and ammunition, and a plethora of Executive Branch certification procedures. In 1991, both the Administration and the Congress attempted to simplify and

streamline the Foreign Assistance Act to reduce redundancies and improve the legislative process.

Most important, a variety of environmental impediments in the foreign field make it extremely difficult to implement a successfull international narcotics control strategy. The drug trade is a clandestine business, conducted in remote areas with little or no government control, and seeks to evade and elude detection. The business provides subsistence income for poor farmers, means of buying guns (and influence) to use against the established order and/or competing political entities, and income for improving lifestyles. Little wonder, then, that effecting reductions has been so difficult.

Perhaps the most serious impediment is corruption. In many countries, the police and regulatory institutions are the most susceptible to corruption because they are generally the lowest paid and have the most to provide in the way of favors. For instance, the Customs official in La Paz who makes $50 per month can, with one act of omission (such as turning his head at an appropriate moment in the clearance process), increase his income by 40 times. Institutional and/or individual corruption exist throughout the world, making effective narcotics control an extremely complex endeavor.

Future Prospects

It can be argued that if sufficient drug supply reduction can be achieved, the price of narcotics to United States consumers will inevitably rise, driving down the level of consumption. This tenet, of course, assumes normal functioning of macroeconomic laws, such as relative elasticity of demand, heterogeneity of market supply, and competition.

The history of drug use in the United States over the last hundred years suggests a positive correlation between drug availability and use. Specifically, the Harrison Narcotics Act of 1914, which led to a reduction in supply, produced a decline in drug use in the 1920s, followed by an increase in heroin use with the reopening of sea lanes subsequent to World War II. Later, the Turkish Opium Ban in 1973 led to a dramatic decline of heroin use in the United States. Estimated number of heroin addicts dropped from

approximately 700,000 in 1970 to approximately 375,000-500,000 in 1978.[17]

Conversely, overproduction of Andean coca led to a drop in wholesale price for cocaine in the United States from approximately $60,000 a kilogram in 1980 to a low of $10,000 - $15,000 per kilogram in 1988. It can be argued that this increased availability (at lower prices) led to increased cocaine use during this period (1980-1988). Toward the end of 1989, prices went up and purity leveled off; in 1990, the prices continued to rise (i.e., $18,000-$25,000 at wholesale level) with the purity per gram decreasing (i.e., from 70 percent to 54 percent), reflecting reduced availability.[18] Some believe that for the first time ever the Mexican and Colombian interdiction successes (i.e., the two countries interdicted approximately 100 metric tons of cocaine hydrochloride in 1990), resulted in a measurable reduction in supplies available for abuse in the United States.

By attacking the means of production and reducing available supplies, the U.S. hopes that the street price of drugs will rise and the farm-gate price will decrease which will result in reduced availability. Raising the cost of production for illicit drugs should result in less available and fewer consumers. All supply-reduction tactics, such as chemical controls, drug interdiction, trafficker immobilization efforts, alternative development assistance and income replacement should result in the same increase in street price, reduction in purity and less drug abuse. There are, of course, different political and economic effects resulting from targeting the growers versus the intermediaries versus the traffickers and distributors, but the net effect in market terms is a decrease in available supplies and an increase in the price of the product.

Based on the hypothesis that there is a correlation between supply and demand, the price/purity information from law enforcement data sets and the health data from medical examiners, emergency rooms and treatment episodes show a mixed picture. First, it shows that we are having some success in reducing the number of new users for cocaine hydrochloride. The price is up, purity is down and all the survey data and health indicators show that fewer people are using less cocaine hydrochloride. The bad news, however, is that among the underemployed and unemployed populations that least can afford to sustain a drug habit, the prevalence and the incidence of crack-cocaine use is on the rise. This represents a smaller population than casual cocaine users, but these "hard-core" users have a broader negative

impact on society in terms of related crime, violence, and demands on the welfare system.[19]

The heroin picture appears to be more complicated. The price is on a downward trend with the purity increasing, reflecting an increased availability of heroin, but the number of users does not appear to be changing. Although the data are imprecise, expert drug epidemiologists tend to agree that the heroin-using population is an aging population (i.e., no significant increase in new users), and health indicators appear to reflect increasing problems (i.e., increase in overdose deaths). The epidemiologists do not know, however, whether increased addict age, higher number of HIV infected addicts, more poly-drug use (i.e., mixing heroin with cocaine), or other factors are responsible for the seeming contradiction in recent increases in prevalence (i.e., as inferred from increases in drug overdose deaths, lower prices and higher purities), but little change in incidence (i.e., number of new users). The U.S., unfortunately, does not have a reliable estimate of heroin addicts. Perhaps with the reintroduction of the treatment data bases, researchers will have more confidence in their estimates.

Conclusion

Several general assumptions have been at the core of this essay. They are normative in nature, completely the author's, and do not necessarily reflect the official views of the federal government. As stated earlier, no other policy issue has generated more public debate in the recent past; more interagency involvement at the federal, state, and local government level; more dogmatic solutions; or more multifaceted descriptions than international narcotics control.

As a starting point, the overall solution to the drug abuse problem in the United States will occur when the demand for narcotics and dangerous drugs is eliminated or reduced drastically. While substantial progress has been made in drug demand reduction, there is still serious concern over hard-core cocaine use which will not be solved in the short-term. More effective education, prevention, addict intervention, and research for the chronic, intensive user can complement the Administration's supply-reduction programs. Through reducing supplies, the Strategy must drive the price up

and the purity down, making it more difficult and costly for larger percentages of the population to acquire illicit drugs.

A second assumption is that any rational policy in international drug control must avoid extremes to be successful. That is to say, the political imperative or the "journalistic dream" of searching for the "one best way," such as zero tolerance or legalization, does little to advance the overall policy debate. We must review all of the interrelated components of a strategy and define our policy in clear terms.

Third, it is important to remember that in implementing a public policy, there are unanticipated consequences from particular choices. The policy analyst and the informed public need to reflect upon these consequences and develop or support strategies to deal with them. For instance, a major consequence of the drug war may be the impact of involving both United States military personnel and Latin nation militaries in the drug issue, or the social/economic impact of implementing herbicidal eradication programs in the Andean growing regions.

Fourth, the drug issue is complex, requiring multidisciplinary action and commitment of the international community. The policy is doomed to failure if any of the approaches (e.g., law enforcement, health, economic, security, etc.), becomes exclusionary and ignores the breadth of the issue. Moreover, success will be achieved only when producer and consumer nations alike demonstrate political commitment to achieving a solution.

Fifth, to be successful, the international narcotics control effort must continue to be defined as an important and integral foreign policy issue of our country. If it is not linked to other foreign policy issues and implemented through the foreign policy-making apparatus, the impact will be short-lived.

And what does the future hold? The crystal ball is not clear, but if recent history provides a useful indicator of future trends, casual use of all drugs across all populations has declined dramatically since 1985 and will probably continue to decline into the immediate future. Yet, as Senator Joseph Biden has stated in his December 1990, Judiciary Committee hearing, the hard-core drug problem among the frequent (daily) users seems to be getting worse, not better. Cocaine-related deaths have increased by 10 percent since 1988, daily cocaine users increased by 15 percent. Given the addictive properties of crack-cocaine, this trend will probably continue until, as Peter Reuter of the RAND Corporation says, we decide how to manage the problem of hard-core users who have become dependent on the drugs.

United States policy on drug abuse needs to consider what is happening to the "disenfranchised" drug users who are not measured by the National Surveys.[20]

Congressman Charles Rangel, who represents some of the poorest populations in New York City, believes that the government has ignored the root causes of drug abuse among the hard-core, e.g., lack of schools and employment opportunities. Nearly 300,000 drug-addicted babies were born in 1990, most in the inner cities. A December 1990 article in USA Today reported that 40 percent of drug arrestees were black, but it is estimated that blacks represent only 15 percent of the drug using population. More 18-24 year old blacks were in New York prisons (24,000) than in all the State's colleges and universities (23,000). The group we know least about makes up the heavy or frequent users. Harvard professor Mark Kleiman believes that the two percent of the population (students, homeless, and prisoners) not measured by household surveys contains a larger fraction of the drug consumers. The frequent, hard-core users tend to be people with limited/no education, poor job skills, unstable families, few social skills, and a pattern of breaking the law--drug use represents only one of a group of deviant behaviors. As Reuter says, "The epidemic may be over, but not the problems."[21]

Future strategies will continue to emphasize law enforcement efforts to cut off supplies as close to the source as possible, with an increased emphasis on treatment and public awareness efforts designed to target the frequent users. Increased efforts will also be devoted to using international organizations and more effective supply-reduction tools; for example, more effective money laundering, chemical controls, area development schemes, and broad-based economic assistance. As the Bush Administration Strategy has attempted to do, future strategies must bring to bear a range of law enforcement, judicial, prosecutorial, development and diplomatic resources, as well as a full panoply of demand-reduction efforts in the United States. Perhaps then our children will be able to prosper in a drug-free society.

Notes

1. During the Fall, 1983 Presidential Campaign, the Republican ticket was based on the four "D's" of Deficit Reduction, Defense, Daycare, and Drug Control.

2. David F. Musto, An American Disease, Yale University Press, LTD, London, 1973, is an excellent historical review of drug epidemics and the various social responses.

3. In his February, 1991 Appropriations testimony, Secretary of State James Baker listed peace, political stability, economic growth, counterterrorism and counternarcotics, and humanitarian aid as the five most important foreign policy objectives of the Administration.

4. These three reasons are discussed in greater detail in a report by Mark H. Moore, later published as "Supply Reduction and Drug Law Enforcement," Crime and Justice, Volume 13, Michael Tonry and James Q. Wilson, Eds. (University of Chicago Press, March, 1991), pp. 109-157.

5. National Drug Control Strategy Report, Office of National Drug Control Policy, Washington, DC, January 1991 and January 1992.

6. These four time periods are arbitrary and have been selected by the author to highlight certain key events in the history of drug control policy. In addition to the author's seventeen years in the drug abuse field in Washington, DC, where the historical events were often "lived experiences," some of the information can be found in an unpublished report from the State Department's Office of the Historian, "The State Department and Narcotics Control," written in 1980; "History of Narcotics Control," Drug Law Enforcement, Appendix E, a report published by the Office of Drug Abuse Policy (ODAP), Washington, D.C., 1977; David Musto's An American Disease: and "Mexican Opium Herbicidal Eradication Program: A Summative Evaluation," doctoral thesis, James Van Wert, USC, 1982.

7. The Andean Strategy, with its conditioned economic assistance, is described in the first National Drug Control Strategy published September 5, 1989 and again in the second, third, and fourth Strategies published in 1990, 1991, and 1992.

8. There are no precise figures on the amount of hard currency generated by the coca trade in Colombia, Peru, and Bolivia. Figures used here are the best estimates of embassy personnel, AID economists/development experts and Latin American economists and political scientists. Whatever the magnitude, coca earnings from the coca industry have created substantial economic and political power in the Andean nations.

9. Ralphael Perl, "United States International Drug Policy: Recent Development and Issues," Journal of Inter-American Studies and World Affairs, Vol. 32, Number 4, Winter 1990, p. 134.

10. Gustavo A. Goritti, "How to Fight the Drug War," The Atlantic Monthly, July 1989.

11. U.S. Department of State. International Narcotics Control Strategy Report (INSCR), (March, 1992), p. 27.

12. Ibid., pp. 91-98, 104-111, 122-130, for descriptions of programs in Bolivia, Colombia and Peru.

13. For fuller description, see Rensselaer W. Lee, III, "Beyond Law Enforcement: Evaluating Unconventional Strategies for Controlling the Narcotics Traffic," a research project funded by the United States Institute of Peace, 1991.

14. INCSR, pp. 167-178.

15. For discussion of opium control efforts in Southeast and Southwest Asia, see INCSR, 1992, pp. 221-306.

16. Perl, pp. 127-134.

17. The prevalence of heroin addiction is extremely difficult to measure. The reliability and validity of the estimates are limited at best. In the early 1970's, a linear approach was used by Joseph Greenwood, Bureau of Narcotics and Dangerous Drugs, who used the Addict registry to

extrapolate a broader population from single samplings. This approach used a "capture-recapture" rate to estimate a range of heroin addicts. The highest number in the range was 700,000.

Another methodology used during the past 15 years has been a multivariate approach first developed by Retka, Pearson, et al which assured that heroin addiction was a hidden phenomenon that could be estimated only indirectly by measuring effects. By measuring a family of indicators (e.g., price, purity, overdose deaths, treatment episodes and emergency room mentions) across standard metropolitan statistical areas, one can use a principal component analysis methodology to develop an index (heroin problem index) that could then be used to develop a range of estimates for each metropolitan area. With this methodology, NIDA estimated that the number of heroin addicts in this country had been steadily decreasing from a high of 593,000 in 1973 to a high of 508,000 in 1978. Variants of the same multivariate analysis have been used by NIDA during the past decade. An attempt to develop another methodology under NIDA contract to RTI is underway.

For a more complete description of the history of Heroin Prevalence Estimation Techniques, see Mark Brodsky's article in NIDA Research Monograph 57, "Self-Report Methods of Estimating Drug Use," Rockville, Maryland, 1985.

18. These figures were compiled by DEA's Office of Intelligence.

19. See W. John Moore, "Rethinking Drugs," National Journal, February 1991, pp. 267-271, for a discussion of the "good news—bad news" picture of drug abuse in the U.S.

20. Ibid.

21. Ibid., p. 270.

3

Failures at Home and Abroad: Studies in the Implementation of U.S. Drug Policy

Alan A. Block

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The futility of U.S. drug policy over the past four decades reflects deep contradictions in the mission of America's enforcement agencies--the Drug Enforcement Administration (DEA), the Internal Revenue Service (IRS) units charged with the investigation of money laundering, and wider criminal justice system. Within the DEA and its predecessors, most

importantly the Federal Bureau of Narcotics (FBN), overseas drug enforcement was subordinated to the concerns of the U.S. intelligence community, in particular the Central Intelligence Agency (CIA). In the main, the CIA has cared little about drug enforcement although it has often used drugs as tools of espionage and counterintelligence. Since the establishment of the CIA in 1947, the Federal Bureau of Narcotics has provided a more or less constant cover for various covert operations. That policy has unfortunately inclined the DEA to a certain tolerance for anti-communist drug dealers abroad and drug abuse at home, often in the name of national security or counterintelligence experimentation.

Similarly, a close reading of the Internal Revenue Service's performance during the 1970s shows the Service tore itself apart over whether or not its Intelligence Division should be involved in serious proactive crime work dealing with money laundering by international drug traffickers and organized crime. The IRS managers who won this battle were adamant opponents of their own Intelligence Division and its special agents who were trying to scrutinize offshore banks, the favorite refuge of illicit wealth.

Domestic drug enforcement has in turn created a criminogenic environment, criminalizing police departments across the nation. Police drug work has produced more and more consequential crime. This contradiction betweenmission and accomplishment has worked its way through the courts and prisons which face twin dilemmas: corruption within their own ranks, and the impossible processing of tens of thousands of mostly petty drug dealers and users. The criminal justice system could not and cannot cope.

Thus, the unprecented drug plague of the past decade was to an extent a consequence of ongoing DEA willingness to compromise its anti-drug mission to accomodate CIA operations; the IRS decision to cease monitoring of off-shore money laundering; and continuing corruption among local law enforcement in the key domestic drug markets.

The Special Relationship

The history of the Federal Bureau of Narcotics has been told many times but usually without the recognition that its long-serving Commissioner Harry Anslinger (1930-1962) and his top agents were closely tied to the U.S.

counterintelligence community. The relationship was so complex that it is often impossible to distinguish whether top FBN agents were primarily CIA men using narcotics jobs as cover or were drug enforcers merely hip-deep in helping counterintelligence. In the contemporary history of U.S. drug policy few issues are as significant as the subaltern status of the FBN and its successor drug enforcement agencies.

A case in point is the career of Henry L. Manfredi who had served in the Army's Criminal Investigation Division until October 1951. At that time, Manfredi was officially transferred to the Bureau of Narcotics.[1] But as a letter from CIA headquarters (signed by Richard Helms as Director of **Secret Group** One) to the Secretary of the Treasury in the autumn of 1967 disclosed, Manfredi's 1951 transfer was to the Central Intelligence Agency not the Narcotics Bureau.[2] Ironically enough, this correspondence contains a CIA recommendation to the FBN on Manfredi's behalf:

> I would like to bring to your personal attention the transfer of Mr. Henry L. Manfredi to a career position in Treasury's Bureau of Narcotics after more than fifteen years service in this agency. Mr. Manfredi's contribution to the attainment of the U.S. Government objectives abroad has been outstanding. I am confident that the Bureau is getting a superior officer and although he will be sorely missed by his colleagues here we are pleased that he is assuming an important position for which we feel he is uniquely qualified. I wish also to express my keen appreciation for the fine cooperation the Bureau of Narcotics, most recently under its present director Mr. Henry L. Giordano, has furnished us over the years. This is a particularly significant factor in the success of Mr. Manfredi's mission.

Manfredi was hardly an exception. He was part of a tradition of asymmetrical relations between the FBN and U.S. clandestine organizations which began with the outbreak of World War II in Europe.

Much of this hidden history can be glimpsed by looking at the careers of several high ranking FBN officers including the flamboyant George Hunter White and his FBN supervisor Garland Williams.[3] Williams and White both played key roles in the organization of American counterespionage efforts and the training of special agents from 1939 onwards. As head of the Corps of Intelligence Police, Williams transformed that rag-tag group into the U.S.

Army's Counterintelligence Corps. White followed Williams into the wartime clandestine world by joining the Office of Strategic Services (OSS).[4] He was initially assigned to a training facility in Oshawa, Canada, run by British Intelligence. White, in a famous remark, called the place the "Oshawa School of mayhem and murder."[5] He finished this first round of training and soon was chosen to head the New York X-2 (the designation given to OSS counterespionage). White's headquarters for OSS X-2 training was the New York office of the FBN. Eventually he became the "director of all OSS counter-espionage training."[6]

To find key FBN officials in counterespionage activities during the war is hardly extraordinary. But it is revealing to find them still diligently at work in the same activities years after. Their ongoing, post-war, clandestine work indicates the subordination of U.S. overseas narcotics operations to antiCommunist endeavors. The FBN hierarchy, from Commissioner Harry Anslinger through Williams, White and many of the men they recruited and trained as narcotics agents, functioned as a counterintelligence unit, attached to the CIA and, at times, the Army.

For instance, Commissioner Anslinger working with former OSS agents among others, set up a private intelligence organization which was especially concerned with Middle East projects.[7] Moreover, White and his FBN protege, Charles Siragusa, were part of the "inner circle" of CIA officials who planned and carried out various lethal secret operations. These activities, which in 1953 were known collectively as MK-ULTRA, began in 1950 with Project Bluebird directed by Sheffield Edwards.[8] Its ostensible purpose was to determine if certain drugs might improve interrogation methods. Within the year the direction of Bluebird passed to Allen Dulles who coordinated it with another drug experiment the Agency conducted for counterintelligence purposes named Project Artichoke. In April, 1953, Dulles, now the head of the CIA, instituted a program for "the covert use of biological and chemical materials" on Americans as part of the Agency's continuing efforts to control behavior. The decision to drug unwitting subjects spawned numerous efforts which were administered by Dr. Sidney Gottlieb who would become chief of the CIA's Technical Services Staff in the 1960s.[9] Gottlieb took control of these new ventures dubbed MK-ULTRA as well as the older Bluebird and Artichoke operations, and yet newer ones called Project Chatter and MK NAOMI.

There are several common threads linking these projects together: drug experimentation is one, political assassinations another. As John Ranelagh noted in his massive study of the Agency, the CIA found that "the doctors and biologists in the Technical Services Staff working on MKULTRA subprojects were ambitious to press the frontiers of their disciplines even further, to the point of 'executive action' capability--the agency's in-house euphemism for assassination."[10] It was not only the scientists who wished to move these projects to their logical end; members of the FBN hierarchy were also involved in these affairs, particularly White and Siragusa.

White's "diaries" show when and where he was contacted by the post-war architects of drug experiments and assassinations. In New York 20 March 1950 he met with Allen Dulles and the following day had instructions for an FBN agent soon to be sent abroad who also doubled as a CIA operative. On 27 January 1951, the FBN established its first overseas office sending Bureau agents Charles Siragusa, Joseph Amato and Martin Perna to Rome. Siragusa was in charge of the undertaking.

In November of 1951 White marked various meetings with the CIA in his calendar. A few months later he appears involved in "vetting" potential CIA operatives likely connected to Artichoke and Bluebird, entries of a kind that continue through April. However, in the middle of that month there are notes indicating his more complete induction into the projects. On 15 April 1952 he met in Boston with Stan Lovell and Colonel Harry Reynolds at what White described as the CIA's Algonquin Club. About three weeks later there was another CIA get together in Boston which was quickly followed by a talk between White and Gottlieb in Hartford, Connecticut. According to his notes, White called Anslinger the day after this meeting to inform him about the CIA drug ventures.

Through June and July, White had a series of meetings dealing with the projects. Late in August, the cast of characters directly involved in these experiments or knowledgeable about them broadened. White travelled to Washington, D.C. for a morning meeting with James Murphy, former head of OSS X-2. He and Murphy were later joined by James Jesus Angleton, dean of CIA counterintelligence. Angleton and White were good friends, having met many times during the war and after. The particular discussion in Washington that August between these veteran counterintelligence officers concerned "a special teaching assignment" for White. Contacts between White, Murphy and Angleton continued. White had dinner with Angleton on

Long Island Thanksgiving day. A day later White's diary entry states that after nine in the evening he had taken LSD--"I had a delayed reaction" he wrote.

Counterintelligence work threw many top FBN officers into a world of good producers, good smugglers, and bad ones. The determination rested with the CIA or State Department.

The contradiction between standard fare anti-communist activities abroad and foreign narcotic intelligence work has been noted time and again. Within the past decade it became a theme of the Iran/Contra scandal. For instance, "Crime and the Contras--A Summary Report," points out that covert intelligence operations are inevitably "entangled" in criminal activities such as drug trafficking. Criminal "opportunities arise from the clandestine nature of covert operations, protected as they tend to be from usual police surveillance, the waiving for those engaged of customs clearance requirements, the absence of normal accounting procedures, [and] the reluctance of civil criminal justice authorities to intrude into 'classified national security matters."[11] The report detailed that Contra leaders and members, along with U.S. officials and others associated with the Contra Cause "have been involved in narcotics trafficking, illegal conversion of funds, . . . acts of violence, including murder," and the corruption of foreign and U.S. law enforcement.[12]

That the CIA can be relied upon to either subvert overseas drug investigations or to participate in trafficking is clearly established. In order to accomplish its purposes, U.S. intelligence agencies have either merged with drug enforcement agencies enrolling key drug agents and officials in counterintelligence work as with the FBN, or later created cells of CIA agents within the Drug Enforcement Agency. Any number of these CIA/DEA groups existed and they do not necessarily work abroad. In 1981, for instance, knowledgeable insiders reported on CIA agents seconded to domestic drug bureaus in Miami, San Diego, Dallas, Norfolk, Baltimore, New York, Wilimington, Delaware, Albuquerque and Demming, New Mexico.

This penchant for double-dealing and coverups, for much of the "smoke" in pronouncements about foreign traffickers and their allies on the left, was recently noted by the renowned Colombian novelist Gabriel Garcia Marquez. He wrote that secret negotiations between drug traffickers and Colombia's Attorney General Carlos Jimenez Gomez held in 1983 led to a

"dialogue" the following year supported by President Belisario Betancur. The talks fell apart on 4 My 1984 when they were revealed by the newspaper El Tiempo forcing Betancur to denounce any dealings with traffickers. Marquez holds that the leak to El Tiempo was likely part of a U.S. plan to sabotage the discussions for "reasons which had much more to do with Ronald Reagan's anti-communist fantasies than with drug-trafficking itself."[13] The U.S. Ambassador to Colombia at the time was Lewis Tambs who Marquez describes as a leader of the "militant right of Reaganism" determined to bring to fruition the now infamous extradition treaty between Colombia and the U.S. Ambassador Tambs, Marquez reports, was obsessed with the treaty and especially with linking together political guerrillas and drug traffickers until they became a single category, a single word. Indeed, Tambs invented the Orwellian term "narcoguerilla." The point of the policy, Marquez adds, was to make it easy or at least easier "to send U.S. troops to Colombia where, with the excuse of prosecuting the drug-traffickers, they would in fact be fighting the guerrillas."[14]

A brilliantly comic interview of General Alfredo Stroessner, Paraguay's recently deposed dictator, by Isabel Hilton confirms that anti-communism is always "primus inter pares" for U.S. policy makers vis-a-vis their Latin cousins. And though narcotics now are surely a major U.S. concern, the contradiction between covert support of anti-communism and the suppression of narcotics is still unrecognized. Drug enforcement has taken a place next to anti-communism and another obsessive U.S. worry, Latin America's huge foreign debt, to form a dark trinity of U.S. concerns.

Tracking Stroessner down to a small villa in Brazilia, Hilton reported the following conversation.

> I asked him about communism, and the threat posed to the continent by the Cuban revolution, a subject to which he had devoted the bulk of his speeches for thirty-five years, drawing heavily on the Cuban threat in order to milk defence dollars from the United States. I braced myself for a harangue. I had read it, but I wanted to hear him say it.
>
> He seemed surprised to be asked about the effect of the Cuban revolution in Paraguay. 'In Paraguay, we always talked about democracy. I don't know if they had democracy there.'
>
> 'Cuba?' I thought. 'Democracy?' Had he heard me correctly?
>
> 'Cuba was a very long way from Paraguay,' said Gustavo [Stroessner's son] helpfully. . . .
>
> 'But there was so much talk,' I insisted, 'of the danger of communism in the continent.' This was a subject on which I had come prepared to be bored, to be lectured, to be treated to banalities. This was the man who had hosted conferences of the World Anti-Communist League, attended by the real hard core. The White Hand from Guatemala, d'Aubuisson, the killer from El Salvador. The

Argentine dirty warriors, the South Koreans, the Taiwanese, the South Africans. This was the man who had teased the world over Mengele. I couldn't believe this was happening.

'Yes. That's what Vice-President of the United States said,' the General said. 'That Vice-President. What's his name?'

'Nixon,' I said, still in my own thoughts, in my memories of Stroessner, the well-paid subaltern on the western front of the Cold War.

'Quayle,' said Gustavo.

'Quayle?' I said. 'What did Quayle have to do with it?'

'He said there were three problems,' said Stroessner. He remembered all three this time. 'Drugs, communism and the debt. Yes.'[15]

The banality of lumping this trio together should be obvious. The debt can never be paid off though currency from narcotics production and distribution produces more bank deposits in Latin America than most anything else; communist-inspired insurgencies (such as the Shinging Path) cannot be wiped out without vast economic and social changes that would undermine the peculiar capitalist system in place, precisely what the U.S. does not want; campasinos have little choice but to participate in cocoa production or face even greater poverty; the political right uses revenues from narcotics to remain wealthy and in power; the right's patron, the U.S., encourages this through its Intelligence and para-military services; the left uses narcotics revenues to purchase arms on the world market; and so on. The political economy of Latin America is thus completely intertwined with narcotics. The end of cocoa is economic devastation; the end of the debt is impossible to contemplate; the end of communist inspired insurgencies is equally so. Each issue is the product one way or another of Latin America's long-standing clientele relationship with the North.

The subordination of narcotics control to anti-communism throughout the third world has had disastrous results abroad and at home. Many of the DEA's failures in the past two decades can be directly tied to its junior position, inherited from Harry Anslinger's FBN, vis-a-vis the intelligence community.

IRS Blues

A full discussion of the historical contradictions inherent in the national narcotic policy must consider the Internal Revenue Service whose complex

missions were supposed to include nabbing drug barons or at least their money. But an appraisal of its actions in the 1970s reveals a Service in turmoil about to lose its criminal investigation wing precisely when it was being called upon to act vigorously against drug traffickers, other organized criminals, and their associates in banking and finance.

On one side stood a new Commissioner and his staff, on the other the renowned Intelligence Division created in 1919. Skirmishing began when Donald C. Alexander was appointed IRS Commissioner in April 1973 by a beleaguered President Richard Nixon.[16] An Ohio lawyer, Alexander was a partner and tax specialist in the Cincinnati firm of Dinsmore, Shohl, Coates and Deupree when the Nixon administration picked him for the top IRS job. A busy member of what is called the "tax Bar," he had written a number of articles published in the Tax Law Review, the Tax Counselor's Quarterly and The Tax Lawyer. Indicative of his overall approach, his last publication prior to his designation as Commissioner entitled "Tax Shelters" appeared in The Ohio Bar.

His nomination was approved on 15 May 1973 by the Senate Committee on Finance. He had not prepared a statement and only a few dull questions were asked.[17] Alexander's glide through the process was a consequence of the acute preoccupation with Watergate. In the absence of Congressional inquiry there was no illumination of his tax philosophy and what plans, if any, he had for the IRS under his direction. Moreover, no one asked how he came to be nominated, or what relationships he had with members of the Nixon administration. He was qualified to be Commissioner, but so were others. Who chose Alexander and why were crucial questions, not least because the Internal Revenue Service, it developed, was part of President Nixon's illegal domestic spying apparatus.

Notorious for harboring grudges, Nixon's drive to get even and to use the IRS to that end began with his 1968 victory. Upon taking office in 1969, Nixon through H.R. Haldeman and Presidential assistant Tom Charles Huston, pressured the Service to go after political opponents--"to make them pay." In the summer of 1969 when Huston called Roger V. Barth, then a special assistant to IRS Commissioner Randolph W. Thrower, and asked what the IRS was going to do about "ideological organizations" there was no question of non cooperation.[18] Barth, who operated both as a special assistant to Thrower and as Deputy Chief Counsel of the IRS, had come to the Service after working "as an advance man for Julie and Tricia Nixon in

the 1968 campaign."[19] His response to Huston was immediate--the IRS would set up a secret new group to monitor and harass the President's ideological foes. Within two weeks of Huston's conversation with Barth, the IRS created the "Activist Organizations Committee," which was soon renamed the more innocuous, "Special Service Group," and finally in the winter of 1972 the "Special Service Staff" (SSS). This highly secret, relatively unstructured, group, located in a "soundproof basement," operated out of the IRS's Compliance Division for two and half years before it was discovered. It was exposed in January 1972 when a former FBI agent "blew the whistle." It was then brought out of the basement, moved to a secure office on the 6th floor in the IRS building, and placed in the Collection Division. This move revealed its existence, but not its real work. And nothing came of this news until the Watergate pot was set boiling. The SSS worked hard. In four years it had a file system containing material on 8,585 individuals and almost three thousand organizations, all presumed enemies of the President and his controversial policies. Most of the data, almost all of it useless for tax-gathering purposes, came from the FBI and the Internal Security Division of the Department of Justice.[20]

The SSS was part of Nixon's domestic espionage operation that was relocated and centralized in the White House. John Dean characterized the domestic intelligence operation as a project "to restructure the Government's intelligence-gathering capacities vis-a-vis demonstrators and domestic radicals."[21] The tactics included the wiretapping of groups and individuals suspected of radical activity, the monitoring of their mail, and the burglaries of their apartments, homes and offices. These actions were part of the infamous "Huston plan" named after the zealous presidential assistant who conjured it up upon presidential instruction following his success with Barth in establishing the secret IRS unit.

It was one of the hallmark's of the Nixon administration to frame issues in a combative rhetoric which separated the world into adversaries on the one side, and Nixon loyalists on the other. From the time of his appointment in 1973, Donald Alexander showed that he was cut from a similar mold. He was quick to anger, bursting with bravado, and felt surrounded by enemies whom he once dubbed "faceless liars."[22] Former colleagues when asked about Alexander first recollect his "ego," his stubbornness, his intolerance of conflicting opinions.[23] Perhaps it was his personality as much as anything else which made him Roger Barth's candidate for Commissioner. For it was

Earth, the head of the SSS, who selected Alexander for the top post in the IRS. Barth, who was Erlichman's mole in the IRS, pushed Alexander's candidacy through.[24]

What set this in motion was Nixon's anger in the summer and fall of 1972 with what he believed was IRS footdragging on his enemies' list enlarged after the arrest of the Watergate burglars. Since the initial understanding between the White House and Barth, there had been a change of Commissioners. Thrower was replaced by Johnnie M. Walters who, despite Barth's best efforts, was very reluctant to play along with the White House. His interests were in moving aggressively against both organized and corporate criminals, not political dissidents.

The Watergate burglars were indicted on 15 September 1972, and that prompted President Nixon to hold a strategy session with Haldeman and Dean. They discussed numerous issues including the role of the FBI in the investigation, and ways of muzzling a Congressional inquiry into campaign irregularities.[25] Before that meeting ended, the plotters got around to the Internal Revenue Service. Dean complained he wasn't getting sufficient cooperation from the IRS in nailing a McGovern supporter. Nixon shot back in anger, stating the IRS would be much more cooperative after he fired Commissioner Walters. He would be gone as soon as the election was over.[26]

Donald Alexander wanted one of the important posts at Treasury ever since Nixon had become President, but his chances were not very promising during Nixon's first term. Alexander's name surfaced when the IRS Chief Counsel's spot opened, and then quickly submerged when the idea was nixed by Ohio Senator Robert Taft, Jr.[27] Grandson of President William H. Taft and son of Senator Robert A. Taft who was leader of the Republican Party's conservative wing, the Ohio senator disliked Alexander and that was enough to seal the matter under upper house protocol. Taft's reason was quite straightforward. Alexander had worked for the Taft law firm (Taft, Stettinius & Hollister) headquartered in Cincinnati, and had left it to join the rival firm of Dinsmore, Shohl, Coates & Deupree.[28] It is commonly believed that Taft must have mellowed by Nixon's second term or Alexander would not have been selected Commissioner.[29]

Even in the absence of objections from Taft, Alexander was far from a popular selection. He was no one's first choice. He had no White House sponsor. White House bully boy Charles Colson had another candidate in

mind, according to John Erlichman, but when he failed to secure support Colson did not pursue it. With the Watergate issues looming larger and larger, the White House had far more on its mind than who would replace Walters. In the end, the selection of Commissioner was simply left in the hands of Roger Earth. There was no process in this affair at all--no nominations, committees, discussion, recommendations, and so forth. Barth just knew his man. In fact, it was Barth who had earlier worked to get Alexander a post on the IRS Advisory Group. Barth supported Alexander because he was convinced Alexander understood and agreed with the President's policies concerning the Service.

When Commissioner Alexander bloodied the Intelligence Division, it inevitably provided relief for many under examination including, significantly enough, several of Nixon's closest cronies who were targeted for investigation. Philosophically speaking, Alexander was a financial crook's delight as a glance at his original intentions makes plain. Few policies better served members of the criminal community than Alexander's decision to abandon investigations of off-shore tax havens. His position was clear even before he was officially sworn in. As Commissioner-designate in early 1973, he tipped his hand proposing a small but most important change in the tax return format itself. Alexander lobbied hard for the elimination from the tax form of the question which asked taxpayers whether or not they had a foreign bank account. This "Foreign Bank Account Question" had been placed on tax forms only a few years earlier to encourage compliance by taxpayers considering the illegal use of secret foreign bank accounts.[30] Falsely answering left an individual guilty of perjury at the least.

Alexander was opposed in this move by the Director of the Intelligence Division, but persistence paid off. The Commissioner finally succeeded in removing the question for the 1975 tax year after someone had altered the Intelligence Division's written opinion. After a change in the Intelligence Division's leadership, Alexander asked for its input on the question. A memorandum written by Charles McCalmont, the National Office Program Manager, and initialed by Alexander's new head of Intelligence, recommended retention of the question. The memo was then sent on its bureaucratic way. But it disappeared and in its place a different document appeared. This one was signed by the head of Intelligence and it agreed with Alexander's policy. When McCalmont asked what happened he was told never to mention the issue again.[31]

Alexander did not like the foreign bank account reporting requirement and he most certainly did not approve of Intelligence Division investigations into financial crimes utilizing foreign banks in places like The Bahamas, the Cayman Islands, and the Netherlands Antilles. These investigations often involved proactive undercover work aimed at "potential" or "suspected" tax evaders and therefore, Alexander maintained, were wholly inappropriate to the reactive, civil tax enforcement Service he wanted.

He also opposed in principle and fact the Intelligence Division's targeting of organized crime syndicates and narcotics smugglers.[32] Alexander was especially at odds with the two-year-old Narcotics Traffickers Tax Program (NTP) which used a special Target Selection Committee to choose appropriate individuals for investigation even though he did recognize the effectiveness of the Service's "war" on drug merchants.[33] Effectiveness didn't matter for someone as conservatively-minded as he was. It was much the same when it came to organized crime investigations. He wanted the IRS out of the Federal Strike Forces no matter what the need was. Since 1970, there had been an ongoing Senate investigation into massive worldwide swindles carried out by organized crime using off-shore banks in foreign tax havens to negotiate stolen or counterfeit securities. The Senate Permanent Subcommittee on Investigations (PSI) urged law enforcement coordination at the same time Alexander was planning IRS disengagement.[34]

Attacking Intelligence, Alexander portrayed the Division as out of control, involved in projects and operations which smacked of political spying, run by Special Agents devoted to illegal and unfair practices in their zeal to catch crooks. There were surely few who realized just how ironic this was--Roger Barth's man attacking the Intelligence Division for spying. In this offensive against the Intelligence Division there was a blurring of issues and the timing of events in order to take the fullest advantage of the Watergate theme. Normal and practical investigative procedures which used informants and conducted covert surveillances were labelled by the Commissioner as the hallmark of political policing.

This was a Washington brawl. But the most notable fighting emerged over Intelligence Division operations in The Bahamas. These started long before Alexander was picked to head the Service. When Alexander acted against the Intelligence Division, he usually did so with an accusing finger pointing at Bahamian operations run by Richard E. Jaffe a Special Agent working out of the Miami office. During the mid 1960s, Jaffe had constructed an IRS

undercover operation in The Bahamas dubbed Trade winds which lasted in one form or another for a decade. Jaffe acted because The Bahamas had become a favored haven for American organized criminals including drug smugglers, and tax evaders.[35] And then in 1972 Jaffe, after receiving a collateral request for aid and information from IRS Intelligence in San Francisco on a Bay area LSD dealer, initiated another Intelligence Division probe finally dubbed Project Haven.[36] Jaffe was brought into the Palmer affair because several checks the drug merchant received in May 1970, were drawn by a Bahamian bank named Castle on an account it maintained in the American National Bank and Trust Company of Chicago.[37] San Francisco agents requested IRS Intelligence in Chicago and Miami to pursue the money.

Chicago agents pulled American National's bank statements specifying the Castle account. The 1969 and 1970 figures showed Castle maintained a sizeable commercial account; deposits were as large as one million, and several were in the $200,000 to $500,000 range. The account's size aroused IRS interest beyond the issue of Palmer's funds. "We are," wrote the Intelligence Division Supervisor from San Francisco, "concerned about the source of funds being deposited by Castle Trust Company with the American National Bank in Chicago."[38] Soon, it was determined that Castle had accounts at two other Chicago banks, Continental Illinois National and First National. There was also evidence that requests from Castle to Chicago ordering cashier's checks were disbursed to associates of organized crime.[39] Jaffe determined that Castle was an underground conduit for untaxed money usually providing bookkeeping services, crediting and debiting accounts in which the funds remained in the States. He wrote, "when the depositor requires them again, a debiting entry is made in Nassau with a check or cash paid out by [a U.S. Bank] . . charged only to the CASTLE TRUST account thereby providing the anonymity of the transaction."[40] Project Haven was suspended just before it could disseminate Castle Bank file material to the appropriate IRS regions.

The IRS fight which involved the National Office against the entire Intelligence Division but centered on Jaffe's Operations Tradewinds and Project Haven. Other Special Agents from the Intelligence Division also were in deep conflict with Commissioner Alexander. The primary issue for them was a policy directive on informants, one of the most sensitive factors in professional law enforcement. Sometime during the first half of May,

1975, all Special Agents were ordered to identify their informants or suffer disciplinary proceedings. Among the many objectionable features of this policy, reasoned the critics, was the fundamental one that it put informants at extreme risk. Solerwitz filed a civil action in federal court on behalf of six Special Agents in New York. The plaintiffs claimed the policy would wreck their work against organized crime, drug traffickers, corrupt public officials, and make informing exceptionally risky and therefore unlikely.[41]

This internal IRS battle shifted to the Congressional arena when a Subcommittee of the Committee on Government Operations chaired by Representative Benjamin S. Rosenthal of New York began an inquiry. Hearings opened on the morning of 6 October 1975 at the Rayburn House Office Building. Appearing as a witness the first day was Commissioner Alexander. He was accompanied by some from his administration involved in the termination of Project Haven, including Deputy Commissioner Williams.[42]

Alexander quickly got down to it. He would not stand for uncontrolled law enforcement.[43] Chairman Rosenthal, to the contrary, thought this affair was primarily about the problem of Americans fraudulently bringing money into the Bahamas, deceiving the U.S. Government which was attempting to discover the crimes and collect the taxes. The Panel asked Alexander questions on the general thrust of IRS policy under his direction. Of particular concern was the one dealing with the apprehension of tax evaders using off-shore havens. In an attempt to summarize the testimony on recommended procedures for dealing with countries such as The Bahamas, Representative Anthony Moffett of Connecticut noted a counter-productive logic. He argued that if a country such as The Bahamas passes bank secrecy legislation, and if the IRS will not use any information on tax fraud that violates a foreign law (Alexander's position), was not this, therefore, a policy declaring that off-shore tax evasion in countries with strict bank secrecy laws was safe from the Service. There was no satisfactory answer to Moffett's analysis. The best the Commissioner could offer was the need to pursue tax fraud issues through proper diplomatic channels.

Then the Commissioner was questioned about the degree of past cooperation on tax and banking matters by the Bahamian government. There was an awkward and embarrassing exchange. Neither Alexander nor his staff at the hearing had a clue concerning past Bahamian/U.S. cooperation in tax matters that came through diplomatic channels. The only historical

examples of cooperation they could have cited were those forged by Jaffe with the Bahamian police, and expressed through the years in Operation Tradewinds and Project Haven.

> Mr. ROSENTHAL. Has the Bahamian Government been cooperative with our Government in the enforcement of the laws of the United States: Does anybody have an opinion?
> Mr. ALEXANDER. Does anybody from IRS back there have any thoughts on this? Mr. DeWitt [District Director from Jacksonville]? Do you have any thoughts on this?
> Mr. DeWITT. I cannot speak to the period we are covering.
> Mr. ALEXANDER. I am sorry we cannot help you, Mr. Chairman, but we look forward to another session in which we may be able to give you some help.[44]

Alexander broke the back of the Intelligence Division, and understandably some of the victims were rankled. In 1975, for instance, while the Rosenthal Subcommittee worked on the difficult issues, the Federal Criminal Investigators Association sent to the Secretary of the Treasury a Resolution on the havoc caused by Alexander to the Intelligence Division. Included in the Resolution, passed at the society's Detroit Convention in October, was mention of the Strike Force and Narcotic Traffickers Programs disruption, the routine harassment and humiliation of District Directors and managers causing them to further restrict the activities of Special Agents, and the jeopardizing of informants. The F.C.I.A. proposed that the Secretary of the Treasury transfer the criminal investigative functions of the Intelligence Division out of the IRS and place them under the wing of the Assistant Secretary of the Treasury for Enforcement, Operations and Tariff Affairs.[45] The F.C.I.A. had several thousand members and it is hard to imagine a better gauge of broadly held anger and outrage. Almost a year, later certain high ranking Intelligence Division officials from the Southeast Region requested Congressional intervention, claiming an ongoing process of harassment and forced retirement.[46]

Alexander and his successor were helped in hamstringing what was left of the Intelligence Division by passage of the Tax Reform Act of 1976. Signed by President Ford in the fall, the new law had a key section which restricted "what information Federal law enforcement agencies could request access to from IRS."[47] Because it fit so well with their plan of disengangement, IRS management interpreted the Act strictly. This led some agents to believe "that if they were to come upon information indicating that a major non-tax crime was being planned they were prohibited from reporting that information outside their own Service."[48]

The General Accounting Office in a review of federal progress in controlling illegal drugs commented on the problems brought about by the Tax Reform Act. It said the 1970 Bank Secrecy Act passed to combat "organized and white-collar crime, including the drug traffic," was not working very well because of the restrictions imposed by the 1976 Act. The former legislation required the following: domestic banks had to file a report with the IRS on each currency transaction of $10,000 or more; individuals who transport in excess of $5,000 into or outside the U.S. must report this to Customs; and lastly, people subject to U.S. jurisdictions who have "interests in foreign financial accounts must disclose this by filing a financial statement with the Treasury Department."[49] The GAO concluded the intent of the act which was the collection and dissemination of information pertinent to investigating organized crime and drug smuggling was subverted by "the minimal dissemination of the information collected." A House Government Operations Committee study in 1977 determined the exchange of currency information outside Treasury was "nonexistent." In fact, information exchange within Treasury was at best "minimal."[50]

Congressional hearings during the 1980s continued to highlight IRS retrenchment in the past decade which they coupled with the simultaneous expansion of drug trafficking and money laundering. The PSI's 1981 hearing on International Narcotics Trafficking was concerned with the need to get the IRS more involved in anti-drug syndicate work, while its 1983 hearing, Crime and Secrecy: The Use of Offshore Banks and Companies, provided several examples of how this aspect of the underground economy worked and, by implication, how poorly the IRS had functioned in combatting drugs and money laundering over the past decade. The following year President Reagan's Commission on Organized Crime published an "Interim Report" called The Cash Connection: Organized Crime. Financial Institutions, and Money Laundering which ended with this peroration: the federal government "must strike directly at the heart of the problem by making the use of financial institutions by money launderers a criminal offense."[51]

By the end of the 1970s, drug smugglers, organized crime syndicates, and wealthy tax evaders, shielded from American law enforcement scrutiny and in cahoots with corrupt Bahamian government officials, had turned The Bahamas into a racketeer's paradise. A great deal of the responsibility for this had to be placed at Alexander's door. This was done, in fact, by David R. MacDonald who had been the Assistant Secretary for Enforcement,

Operations and Tariff Affairs at the Treasury Department in 1974.[52] He supervised the law enforcement activities of several Treasury Department branches such as Customs, the Bureau of Alcohol, Tobacco and Firearm, and the Secret Service.

Testifying before Congress in 1980, MacDonald maintained that the adoption of Alexander's policy forced the Service to engage in reverse discrimination by concentrating on the returns of wage earners instead of hard-core criminals. Smugglers and other professional criminals, he told a Congressional audience, learn to isolate themselves from the proscribed goods and services they sell and thereby avoid prosecution. But they cannot and would not separate themselves from the money which was precisely why they went into the business of crime. He concluded that the IRS was indispensable in any earnest effort against the international drug traffic and it had to abandon the lenient, discriminating, and foolish policies of the past.

The IRS retreat from effective criminal law enforcement during the 1970s was of decisive significance as this was the decade which experienced the related world-wide explosions in drug smuggling and money laundering. In the summer of 1986, Stephen S. Trott, an Assistant Attorney General from the Justice Department's Criminal Divisions, stated "it is absolutely true that the seeds of the problem [cocaine trafficking] were sown during the late 1960's and 1970's."[53] It was also Trott's position, and no one disputed it at the 1986 House Hearing to consider providing for a White House Conference on Narcotics Abuse and Control, that the Federal effort against narcotics actually "lost ground between 1975 and 1981.[54] Far from vigorously attacking money laundering, especially in relation to drug profits, those years which began under Alexander, and continued under Commissioner Jerome Kurtz who inherited the Alexander men in place throughout the Service, witnessed a general IRS withdrawal from tackling these issues.

Perhaps the 1970s imbroglio can be explained in this fashion. Until wealthy tax fraudsters, corporation's with off-shore slush funds, international bankers and well-known tax attorneys could disentangle themselves and their institutions from "nouveau riche" drug smugglers, nothing much would be done by their protectors in the IRS National Office. Once they more-or-less separated, however, the Criminal Investigation Division which replaced the Intelligence Division could focus on the one without hampering the other. That may well be one of the issues to emerge from the U.S. invasion

of Panama after which cartons of secret bank records were seized. Let us not forget that those records could be just as fruitfully explored for wealthy tax evaders and other financial crooks as for drug money launderers.

There is no denying the IRS has turned some sort of corner in the 1980s acting against some financial criminals involved in the laundering of drug profits. But there are enough exceptions to remind one of past battles.[55] Currently, and not surprisingly, the most egregious ones touch upon operations in which the covert services are involved.[56]

Drug Enforcement: Crime Promotion

So far the contradictions noted fall primarily in the realm of foreign affairs. Domestic ones are and have been perhaps more corrosive still. The awesome corruption of drug cops has been coupled with a concomitant paralysis of the rest of criminal justice stemming, ironically enough, from the constant demands for stronger and stronger drug enforcement. Examples can be selected from almost any urban area such as New York, Boston, Washington, D.C., Seattle, Baltimore, Philadelphia, New Orleans, Chicago, Detroit, and Miami, and just about any period. For purposes of economy, the discussion here focuses on New York in the late 1960s and early 1970s, and Miami in the mid-1980s.

The New York State Commission of Investigation reported in April 1972 that over the past four years the "narcotics law enforcement effort by the police of New York City was a failure, and a monumental waste of time, money and manpower."[57] The City of New York was divided into six narcotics districts(1) Manhattan South, (2) Manhattan North, (3) Bronx, (4) Brooklyn South and 'Richmond, (5) Queens, and (6) Brooklyn North. Manhattan North had two groups assigned to narcotics work, the other districts only one. In addition, there was a Special Investigation Unit (SIU).[58] Approximately 70 percent of the narcotics effort was directed by the groups representing the six districts, and their work was an abysmal failure.

According to the Commission, one important reason for this failure was the police department's demand for narcotics arrests--a quota system for group officers.[59] This led inevitably to a concentration on the lowest level of

street dealers and users. There was no time for sophisticated investigations which took time and therefore undercut the quota system. Moreover, the standard was arrests and not convictions; and the majority of those arrested were back on the streets almost immediately.

The infelicities of the quota system were compounded by corruption. One indication of this can be seen in reports of seizures by the SIU in 1970. What turned up were "fantastic discrepancies, . . . never even noticed by SIU supervisors or anyone within the Police Department. No one looked, no one investigated, no one seemed to care."[60]

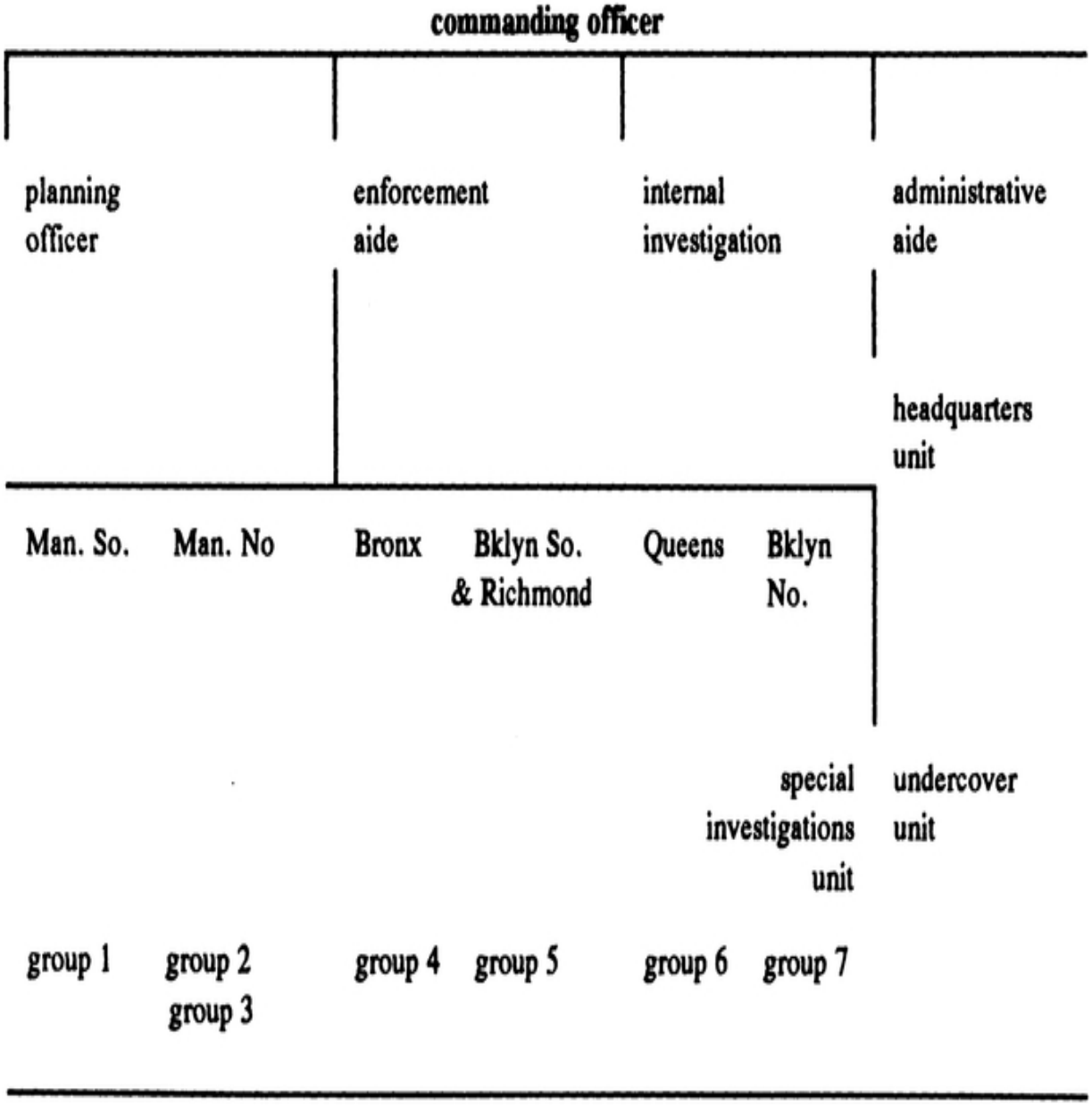

Figure 1.**Narcotics Division, NYPD, Organizational Chart 1971**

Amount of Narcotics Listed in Original Report	Amount Found by Labratory
5 and 1/2 kilos cocaine	16 oz. cocaine
2 and 1/2 kilos heroin	2 oz. heroin 10 oz. cocaine 3/4 oz. marijuana
8 kilos heroin	13 and 1/2 oz. heroin 9 and 1/2 oz. cocaine
28 kilos heroin	17 kilos heroin
1 kilo heroin 8 oz. cocaine	30 grains heroin 5/8 oz. marijuana

Figure 2.**Indications of police corruption (1970).**

Source: New York State Commission of Investigation, Narcotics Law Enforcement in New York City (1972).

More startling information culled by the Commission was the admission by a SIU detective that it was "all but impossible to work on members of organized crime on narcotics." Questioned about this conclusion, the detective stated: "I am saying that if you were to speak to the head of the Narcotics Squad and ask them what they thought, whether organized crime or Mafia were involved in narcotics now, they would tell you no, they are not and probably the reason they would tell you that is because they couldn't show any arrest for any members of organized crime over the past three years."[61]

The largest purchase of heroin made by the city's undercover unit in 1970 as part of an investigation was one ounce worth at a cost of $800. As noted by the Commission, however, this was a special instance. The undercover buy was made from "one Melvin Fischler, who received this ounce of heroin from Detective Joseph De Vito, a member of the New York City Police Department."[62]

Police corruption was a major factor promoting New York's drug trade. One common method of corruption was the selling of seized narcotics by the police making them "the most dangerous narcotics criminals of all." An example of the extent of corruption involved a case in which a police officer shared an apartment with a "notorious narcotics criminal." The dealer was a heroin wholesaler who "cut about five kilos of heroin per week, and who dealt directly with organized crime figures. He was an important lieutenant in a major heroin operation in Harlem, and his transactions crossed state lines . . . he had narcotics businesses in Pennsylvania, New York, and other states . . . This association was not discovered by the New York City Police until the criminal was murdered in Pennsylvania."[63]

Even when known, of course, the police department did nothing to turn the tide. The New York State Commission of Investigation collected data on the number of bribery cases made from 1967 through 1970 by the narcotics divisions. In 1967 Group 2 (Manhattan North) made one case; in 1968 no cases were filed; in 1969 Group 4 (the Bronx) made one. In 1970, after a series of articles in the New York Times describing police corruption, Group 1 (Manhattan) filed a case, Group 2 (Manhattan North) another, Group 3 (Manhattan North) two cases, Group 4 (the Bronx) three, and Group 6 (Brooklyn) one.[64]

At this point, the most lucrative neighborhood for police drug corruption was Harlem. During the Commission hearing testimony was given which showed how anxious police were to be assigned to Harlem because of the opportunity to make money. Some tried to use political influence to get transferred. Indeed, some Black politicians tried to intercede for Black cops "certain that the black policemen were being discriminated against becuase they were not allowed to participate in the graft and corruption on the Narcotics Squad" which worked Harlem.[65]

The situation in New York's other Black neighborhoods such as BedfordStuyvesant was not better. On 2 May 1972 the Brooklyn District Attorney reported that three police sergeants and twenty-one other officers

had been indicted for corrupt activity. The charge stated they had been paid around $250,000 per year over at least a four-year span from the organized crime figures in charge of the policy gambling operation in Bedford-Stuyvesant.[66] The situation was much worse when it came to narcotics. Over the next fifteen years or so Bedford-Stuyvesant's condition deteriorated. Its police precinct long known as a dumping ground for bad cops became yet more corrupt. The police literally went wild engaging in hundreds, perhaps thousands, of drug conspiracies.[67]

An important summary of the drug corruption issue so prominent in the early 1970s was made by reporter James M. Markham in The New York Times. He began his report with a statement by former Chief Justice Earl Warren who sensibly noted that the current narcotics traffic "could never be as pervasive and open as it is unless there was connivance between authorities and criminals." Markham then turned to the "recently disclosed thefts of at least 69 pounds of heroin and 131 pounds of cocaine from the property clerk of the New York Police Department," and remarked that an undercover federal investigation conducted in 1969 and 1970 found evidence of corruption against 72 federal drug cops in New York. It was also clearly established that New York had no monoploy of corruption, as Markam pointed out that the Federal Bureau of Narcotics was so notoriously corrupt that FBI and Department of Justice officials were opposed to absorbing it when a reorganization of federal policing agencies was discussed in 1967. It was placed in the Department of Justice in 1968 and there was a "cleansing" of agents--"In 120 days, about one-fifth of the 300 agent of the old Narcotics Bureau retired or were indicted."

Almost two decades later, Michael Z. Letwin, the President of the Association of Legal Aid Attorneys in New York described another profound failure in street-level narcotics policing. His comments were about Operation Pressure Point, a New York City Police Department operation designed to break-up drug selling "in Manhattan's Lower East Side, then considered 'the most open heroin market in the nation.'"[68] This 1984 police action, drug Czar William Bennett said, demonstrated "how an area virtually overrun by drug traffic and use could be reclaimed by a persistent and well-coordinated police effort." All was not well, however, as Letwin showed. The hassled drug traffickers were adaptable: they "shortened the duration and increas[ed] the size of transactions, alter[ed] their time and location."[69] Arrested dealers were quickly replaced by others. In the summer of 1989, the

police admitted that major drug dealing in the Pressure Point area continued indoors, while certain other dealers had merely moved to either the poorest parts of the Lower East Side or other New York neighborhoods.[70]

Around the same time that Pressure Point was playing tag with dealers on the Lower East Side, drug cops in Miami were charged with a "a pattern of drug dealing and violence on a scale comparable to any Colombian Cartel."[71] The State concluded the police were not simply moonlighting in drugs, but rather were "full-time dope dealers who moonlight as police officers." Among the crimes committed by the Miami cops were thefts of large amounts of cocaine and marijuana, the dealing of these narcotics, and several murders both of their own partners and angered dealers:

> Numerous dead bodies float in the wake of the defendants' passing. . . . Pedro Martinez, Adolfo Lopez and Juan Garcia literally floated amidst the flotsam and jettsom of the murky Miami River on July 29, 1985 due to the murderous intent of Officers Estrada and Rodriquez . . . The decomposed corpse of the officers' late benefactor, . . also came to light in early August, 1985, after Officers Estrada and Garcia plotted his demise with Government witness Pedro Ramos.[72]

The demand for zealous drug enforcement has spawned police corruption and criminal justice chaos. "Drug Cases Clog the Courts," is the headline of a 1990 story by Debra Cassens Moss in the ABA Journal which notes that the federal judicial system has experienced a 280 percent increase in drug prosecutions over the course of the past decade. Moss adds that State and federal courts are experiencing a "logjam" that "will soon make at nearly impossible for civil cases to be tried or will cause long, long delays." Additionally, prison overcrowding in 43 states has reached the critical stage. Overcrowding and judicial paralysis have not been caused by an increase in serious crimes, however. The rate of murder and non-negligent manslaughter, Moss writes, declined over the decade by 13.4 percent.[73] Drug possession cases have overwhelmed the system.

Through at least the mid-term of President Reagan's second administration, the "war on drugs" brought New York's criminal justice system to its knees. In June 1986 the Committee on Government and Drug Abuse Policy of the Greater New York Coalition on Drug Abuse reported to the Mayor that increased police activity buckled the criminal justice system.

The volume was too great. "As a result, the majority of those arrested were offered time served prior to arraignment in exchange for guilty pleas and were released. It was not unusual for drug dealers to be picked up two and even three times." Police activity also filled to capacity and then beyond the resources of drug-abuse treatment programs. These outcomes forced the Police Commissioner to issue a statement holding drug enforcement in New York could never reduce drug traffic in the city.[74]

Moreover, the system was almost completely capricious. New York State's Committee on Crime and Correction in 1986 found cases in which drug dealers made sales to undercover police while holding loaded and operable guns to the buyers' heads. In most instances cases after arrest (indeed, often after several arrests) the defendants were sentenced to probation despite "Penal Law Section 70.02 (2) (c) [which] mandates a minimum sentence of at least one year in jail upon a conviction for the D violent felony of possession of loaded firearm unless the court . . . is of the opinion that such a sentence . . . would be unduly harsh."[75]

That the system of justice is becoming increasingly moribund around the nation is a conclusion reached by John A. Martin, a Senior Research Associate of the Division of Research and Evaluation, City of Boulder, Colorado. Martin concludes in a recent article that urban trial courts are overwhelmed by the current "war on drugs." He notes that "Many urban justice systems are struggling . . . [that] there are increasing doubts among justice system practitioners that the current war on drugs can be won . . . that the costs of that war might be far too great."[76] Martin surveyed urban courts across the nation and found an increasing mood of pessimism derived from "the rapid increases in drug caseloads in many American urban trial courts." It was also becoming clear that the concentration on drug cases led to other extremely worrisome outcomes: "(1) the movement of resources to drug cases and away from other court priorities such as the processing of more serious felony, civil, and domestic cases; (2) a dramatic alteration of traditional plea bargaining policies; (3) increased prosecutorial power; (4) escalation of already serious jail overcrowding; and (5) diminished credibility of the justice system among Americans."[77]

Whether it be the inherent contradictions in overseas drug work, the subordination of drug agents to the needs of traditional Intelligence operations, or the historical failure at critical moments of drug trafficking expansion by the IRS, or the obviously criminogenic nature of quota-

oriented domestic drug policing and its crippling effect upon criminal justice, the wars on drugs have been destructive by any measure. To continue with this policy will prolong its profoundly negative foreign and domestic effects.

Notes

1. This transfer "in accordance with Department of Army message #28367," was signed by Marvin A. Ruckman, Assistant Civilian Personnel Officer.
2. The Helms correspondence dealing with Manfredi's CIA service and FBN cover was left in a box of otherwise innocuous material located at DEA headquarters in Washington, D.C. I taped the correspondence and later transcribed it in the Spring of 1988.
3. On White see John McWilliams and Alan A. Block, "All the Commissioner's Men: The Bureau of Narcotics and the Dewey-Luciano Affair, 1947-1954," Intelligence and National Security (April 1990); and Alan A. Block and John McWilliams, "On the Origins of American Counterintelligence: Building a Clandestine Network," Journal of Policy History, Vol. 1, (1989).
4. Ibid.
5. This famous remark found in the George White Diaries (1943) located in the Perham Electronics Museum, Los Gatos, California.
6. David Stafford, Camp X: Oss, "Intrepid", and the Allies North American Training Camp for Secret Agents, 1941-1945 (New York: Dodd, Mead and Co., 1986), p. 82.
7. See Block and McWilliams, op. cit.
8. See John Ranelagh, The Agency: The Rise and Decline of the CIA (New York: Simon and Schuster, 1986), p. 204.
9. Ibid. pp. 202-216; also see Martin A. Lee and Bruce Shlain, Acid Dreams: The CIA, LSD and the Sixties Rebellion (New York: Grove Press, 1985).
10. Ranelagh, op. cit. p. 207.
11. International Center for Development Policy, "Crime and the Contras--A Summary Report," nd, p. 1.
12. Ibid., p. 2.
13. Gabriel Garcia Marquez, "The Future of Colombia," Granta, vol. 31 (spring 1990), p. 88.
14. Ibid.
15. Isabel Hilton, "The General," Granta (spring 1990) vol. 31, pp. 69-70.
16. Alexander was born in Pine Bluff, Arkansas, in 1921. He married Margaret Louise Savage from Tennessee and they had two sons who followed their father's educational footsteps to Yale and Harvard. Alexander earned his B.A. from Yale in 1942 (with honors) and an L.L.B. from Harvard (magna cum laude) in 1948. In Between Yale and Harvard, Alexander served in the Army with the 14th Armored and 45th Infantry Divisions. He was awarded Silver and Bronze Stars.

17. U.S. Senate, Committee on Finance, Hearings on Nominations of Helmust Sonnenfeldt, Donald C. Alexander, and Edward C. Schmults (Washington, D.C.: Government Printing Office, 1973), pp. 1-4.

18. U.S. Senate, Committee on the Judiciary, Subcommittee on Constitutional Rights, Political Intelligence in the Internal Revenue Service: The Special Service Staff (Washington, D.C.: Government Printing Office, December 1974), p. 9.

19. Frank J. Donner. The Age of Surveillance: The Aims and Methods of America's Political Intelligence System (New York: Vintage Books, 1981), p. 332.

20. Ibid., p. 336.

21. William A Dobrovir, Joseph D. Gephardt, Samuel J. Buffone, Andra N. Oakes, The Offenses of Richard M. Nixon: A Guide for the People of the United States of America (published jointly by the Public Issues Press, Quadrangle, The New York Times Book Co., 1974), p. 25.

22. U.S. House of Representatives, Subcommittee of the Committee on Government Operations, Oversight Hearings into the Operations of the IRS: Operation Tradewinds, Project Haven, and Narcotics Traffickers Tax Program (Washington, D.C.: Government Printing Office, 1976), p. 32.

23. Author's Interviews with John S. Nolan, former Deputy Assistant Secretary (Tax Legislation), Department of the Treasury, 22 August 1988; Charts E. Walker, former Under Secretary of the Treasury, August 1988; Edwin S. Cohen, former Assistant Secretary (Tax Policy), August 1988; and John Olszewski, former Director Intelligence Division, August 1988.

24. Author's interview with John Erlichman, August 1988.

25. The White House Transcripts: Submission of Recorded Presidential Conversations to the Committee on the Judiciary of the House of Representatives by President Richard Nixon (New York: Bantam Books, 1974), p. 57. Bob Woodward and Carl Bernstein, The Final Days (New York: Avon, 1977), pp. 83-84.

26. Woodward and Bernstein, p. 84.

27. Author's Interview with John S. Nolan former Deputy Assistant Secretary (Tax Legislation), Department of the Treasury, 22 August 1988; Author's Interview with Charls E. Walker former Under Secretary of the Treasury, August 1988.

28. Author's Interview with Edwin S. Cohen former Assistant Secretary (Tax Policy), August 1988.

29. Edwin Cohen was especially certain that Taft had to have mellowed. Others I spoke to agreed with the exception of John Erlichman who said Taft's opinion didn't matter.

30. See the U.S. House of Representative, Committee on Government Operations, INTERNAL REVENUE SERVICE AND TREASURY DEPARTMENT ENFORCEMENT OF THE FOREIGN BANK ACCOUNT REPORTING REQUIREMENT OF THE BANK SECRECY ACT: Second Report (Washington, D.C.: Government Printing Office, 1977).

31. Richard E. Jaffe, "Memorandum, Re: The Foreign Bank Account Question," in Jaffe's Diary.

32. U.S. News & World Report, 27 February 1976.

33. U. S. Department of Treasury, Internal Revenue Service, Annual Report (Washington, D.C.: Government Printing Office, 1973), p. 30.

34. Consider U.S. Senate, Permanent Subcommittee on Investigations of the Committee on Government Operations, Hearings: ORGANIZED CRIME, Securities: Thefts and Frauds (Second Series), 93rd Congress, First Session, part 1, 29 June, 13 July 1973; and Permanent

Subcommittee on Investigations, Hearings: ORGANIZED CRIME, Stolen Securities, 92nd Congress, First Session, part 1, 8, 9, 10, 16 June 1971 and part 3, 20, 21, 22, 27, 28, 1971 (Washington, D.C.: Government Printing Office, 1971).

35. See Richard H. Blum, Offshore Haven Banks, Trusts, and Companies: The Business of Crime in the Euromarket (New York: Praeger, 1984), 135; and Alan A. Block, Masters of Paradise: Organized Crime and the Internal Revenue Service in The Bahamas (New Brunswick: Transaction, 1990).

36. Paul H. Wall, Group Supervisor, Intelligence Division, San Francisco District to District Director, IRS, Attn: Chief, Intelligence Division, Jacksonville, Florida, Attn: Special Agent Richard Jaffe, Miami Florida, MEMORANDUM Subject: Allan G. Palmer 94-22-179-4-7 (NTP) 22 May 1972.

37. Originally the bank was called the Castle Trust Company, Inc. The name was changed in 1972 to Castle Bank and Trust Company Ltd. Other slight name changes followed. In common parlance it is called Castle Bank.

38. Ibid.

39. Special Agent Richard E. Jaffe to District Director of Internal Revenue, Attn: Chief, Intelligence Division Jacksonville District, "Memorandum: Joint Compliance Program, Quarterly Narrative Report," 7 July 1972.

40. Ibid., p. 2.

41. See U.S. District Court, Eastern District of New York, Frank J. Scodari, et. al., Plaintiffs against Donald C. Alexander, Commissioner of the Internal Revenue Service and William E. Simon, Secretary of the Treasury, Defendants, Civil Action No. 75C813. Also see U.S. District Court, Civil Action No. 75C813, AFFIDAVIT IN SUPPORT OF MOTION FOR LEAVE TO FILE AMENDED COMPLAINT by Jack B. Solerwitz, 23 October 1975; and Fred Tuccillo, "IRS Chief Undergoing a Tough Audit," Newsday, 29 September 1975.

42. U.S. House, Oversight Hearings, op. cit., p. 2.

43. Ibid., pp. 20-21.

44. Ibid., p. 86.

45. Fred C. Denham, National President FCIA to Hon. William Simon, Secretary of the Treasury, "FCIA RESOLUTION," 20 October 1975.

46. The petitioners were Ed Vitkus, Assistant Regional Commissioner of the Intelligence Division, Atlanta; A. J. O'Donnell, Jr., Regional Commissioner of the Southeast Region, Atlanta; and Troy Register, Intelligence chief in Jacksonville. See E. J. Vitkus, Assistant Regional Commissioner (Intelligence), Southeast Region to the Honorable Charles A. Vanik, Chairman, Subcommittee on Oversight, Committee on Ways and Means, U.S. House of Representatives, "Letter," 8 March 1976, and A. J. O'Donnell, Jr., to the Honorable Charles A. Vanik, Chairman, Subcommittee on Oversight, Committee on Ways and Means, U.S. House of Representatives, "Letter," 4 March 1976.

47. U.S. Senate, Committee on Governmental Affairs, Permanent Subcommittee on Investigations, Report: Illegal Narcotics Profits (Washington, D.C.: Government Printing Office, 1980), p. 3.

48. Ibid., p. 4.

49. U.S. General Accounting Office, Gains Made in Controlling Illegal Drugs, Yet the Drug Trade Flourishes, 25 October 1979, p. 99.

50. Ibid., p. 100.

51. See the President's Commission on Organized Crime, "Interim Report to the President and the Attorney General," The Cash Connection: Organized Crime, Financial Institutions, and Money Laundering (Washington, D.C.: Government Printing Office, 1984).

52. See U.S. Senate, Permanent Subcommittee on Investigations, Report: Illegal Narcotics Profits, "Statement of David R. MacDonald," 4 August 1980.

53. U.S. House of Representatives, Committee on the Judiciary, Subcommittee on Crime, Hearing: White House Conference on Narcotics Abuse and Control, 24 July 1986 (Washington, D.C.: Government Printing Office, 1987), p. 14.

54. Ibid., p. 58; statement by William J. Hughes, the Subcommittee's Chair.

55. See U.S. House of Representatives, Committee on Government Operations, Subcommittee on Commerce, Consumer, and Monetary Affairs, HEARINGS: IRS SENIOR EMPLOYEE MISCONDUCT PROBLEMS (Government Printing Office, 1989), pp. 186-191.

56. That is part of the Iran/Contra message which showed the Administration's Intelligence services were supporting once again "good" smugglers and utilizing offshore institutions in the interests of regional anti-communism. See the National Security Archive, The Chronology: The Documented Day-by-Day Account of the Secret Military Assistance to Iran and the Contras (New York: Warner Books, 1987); and Theodore Draper, "The Rise of the American Junta," New York Review of Books (8 October 1987), pp. 47-58.

57. New York State Commission of Investigation, Narcotics Law Enforcement in New York City (April 1972), p. 46.

58. Ibid., p. 48.

59. Ibid., pp. 59-69.

60. Ibid., p. 76.

61. Ibid., p. 108.

62. Ibid., p. 116.

63. Ibid., p. 145.

64. Ibid., pp. 205-06.

65. Ibid., p. 198,

66. Harold D. Las well, Jeremiah B. McKenna, The Impact of Organized Crime on an Inner City Community (National Technical Information Service, U.S. Department of Commerce, September 1972), p. 161.

67. Mike McAlary, Buddy Boys: When Good Cops Turn Bad (New York: G.P. Putnam's and Sons, 1988).

68. Michael Z. Letwin, 'Report from the Front Line: The Bennett Plan, Street-Level Drug Enforcement in New York City and the Legalization Debate," Hofstra Law Review (1990), Vol. 18, p. 799.

69. Ibid, p. 800.

70. Ibid, pp. 800-01.

71. United States District Court, Southern District of Florida, UNITED STATES OF AMERICA V. ARMANDO ESTRADA, et al, Case No. 86-511-CR-RYSKAMP (s) (s) (s), "GOVERNMENT'S MOTION FOR SENTENCING HEARING AND INCOPORATED MEMORANDUM OF LAW," p. 6.

72. Ibid, p. 9.

73. Debra Cassens Moss, "Drug Cases Clog the Courts," ABA Journal, Vol. 76 (April 1990), p. 34.

74. Ira Mothner with Stephen Brewer for the Committee on Government and Drug Abuse Policy of the Greater New York Coalition on Drug Abuse, IN THE ABSENCE OF POLICY: REPORT TO THE MAYOR, 9 June 1986, pp. 46-49.

75. New York State Committee on Crime and Correction, "Penelope's Justice: A Report on the State of New York City's Narcotics Law Enforcement System," 2 September 1986, p. 21.

76. John A. Martin, "Drugs, Crime, and Urban Trial Court Management: The Unintended Consequences of the War on Drugs," Yale Law & Policy Review (1990), Vol. 8, p. 119.

77. Ibid, p. 135.

PART TWO
Latin America's Cocaine Traffic

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4
Reinforcing Poverty: The Bolivian War on Cocaine

Jaime Malamud-Goti

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Entering the Bolivian War on Drugs

After a forty minute ride out of the temperate weather town of Cochabamba, the road to the Chapare rainforest leads up to a cold plateau 14,000 feet high. The police driver points his finger at the army barracks standing on your left hand side. He asks you if you find something bizarre about the military constructions surrounded by a high wire fence. You notice that the buildings' walls are camouflaged with green and brown spots as dictated by military standard esthetics but there does not seem to be anything exceptional about the compound. The driver exposes your lack of perception by pointing out that the camouflage paint does not cover the roof of the buildings. You don't have to be a strategist to realize the oddity, and

you start wondering why anybody would want to camouflage the walls and not the tops of the barracks in the middle of the Andes.

Two hours later you gradually descend into the rainforest. It is a hot damp morning in January 1990. You are being driven by a special anti-drug rural policeman, a Leopardo[1] into the Leopardo/DEA compound of Chimor6 in the Chapare tropical bush,[2] accompanied by a Bolivian official of the U.S. State Department. As the lorry approaches the barbed wire that surrounds the encampment two men in fatigues solemnly salute the visitors while a third trooper, with a rifle hanging on his back lifts the gate to let you into the outpost. You ride past what seem to be troopers' dormitories on both sides of the road. Most of the constructions are covered by sand bags almost to their roofs. Half a mile inside the outpost you discover three Huey helicopters standing on cement platforms. Some three hundred yards at your right a group of thirty or forty men work on a runway. The driver takes you where this group is and you realize that two of the men are hand-cuffed. The rest are busily carrying lumber and heaps of mud in rusty wheel-barrows.

With uncontrollable curiosity you ask about these men, and your companion explains that they are inmates from a prison run by "Idi Amin", a heavy black man whose real name is Martin Gira. Gira runs the so called "Rehabilitation Camp" with unusual brutality. The NAU official gets off the lorry and engages in a conversation with Idi Amin who has briskly approached him to hug and shake hands as dictated by Bolivian practice. Both men start talking, gesticulating exuberantly. They turn ceaselessly, waving their arms, pointing in all directions. The driver then turns around to you and explains that the next day very high officials from the U.S., perhaps even senators, will visit the barracks. The commander of the Leopardos is planning to honor his guests with one of his favorite ceremonies that consists of burning coca paste. With an air of confidentiality the driver goes on explaining that several times a year, Idi Amin brings in his men who build a pile of mud placing firewood underneath it. An hour later, when the prisoners have left, two Leopardos cover the mud with a thin layer of grey mush, coca paste. Although Amin's undertaking goes far beyond his duties, he is delighted to contribute to his son's father-in-law's image. This man is a Bolivian drug enforcement official serving in the region, and kin ties are very strong in that country.

The three helicopters take off and fly above your head in circles to finally head north: "they are off to bring the Senators," the Leopardo driver explains. Two days later you read in a Cochabamba newspaper that U.S. officials burned one and a half tons of cocaine after eating lunch at the Leopardo headquarters in Chimore, Provincia del Chapare. There is a photo on the La Paz newspaper Ultima Hora[3] showing what the paper identifies as Congressmen Bob Wise and Al McCandless setting fire to "1,633 kilos of cocaine sulphate". You know it was mud from witnessing Idi's men carrying it to the hut where a long table had been placed.[4] For unskilled witnesses the smell of the burning mud seems like coca because it had been seasoned for special guests. You have entered the world of the "war on drugs" in Bolivia.

The. author became acquainted with the characteristics of this war when he visited Bolivia as Argentine President Alfonsin's envoy in 1988. During a visit to the Leopardo outpost of Villa Tunari he was invited to witness the arrest of a coca paste carrier that occurred near the barracks. The author was warned by a Bolivian hired by the Narcotics Assistance Unit not to trust his hosts. The arrested man, he explained, had been captured at least ten times that year as a performance devised for special guests.

The "war on drags" in Bolivia revolves around a complex social setting. The over-simplified scene required by a war-like approach to solving conflicts often conceals that complexity. Policy makers and witnesses of the Andean coca/cocaine situation often insist on isolating drug traffickers from the social fabric in which they interact. To make the strategy fit the environment, anti-drag violence is portrayed as the (justified) means that decent citizens of the United States and Bolivia resort to to defend themselves against a well defined group of criminals.[5]

The first part of this essay provides a sketch of the social actors in the cocacocaine business in the Chapare area. It aims at portraying two aspects of the Bolivian anti-drug campaign: 1) how enforcement efforts in Bolivia are largely targeted against the lowest echelon in the coca/cocaine business; 2) how the strategy has contributed to the expansion of coca paste manufacturing.

The Kolla Coca Growers

Until the beginning of the cocaine boom in the late 1970s, the Chapare region of Bolivia was a sparsely populated area that supported bands of hunters and gatherers and a paucity of squatting peasant migrants from the highlands. By the 1980s the population had swollen to more than 300,000 - a sizeable figure for a country with barely six million people, and an increase of over 240,000 in less than ten years. This sudden surge in population has led to unprecedented economic and social exploitation, environmental degradation and violence. President Paz-Estenssoro's Under-Secretary for crops substitution has argued that it constitutes the greatest devastation in Bolivian history.[6] Yet there are decisive economic incentives for pursuing occupation in the Chapare. For many Bolivian highlanders, it is the spot to seek cash; for some lowlanders, the Chapare is the first link of a business chain where enormous profits may be attained.

The fall of international market prices of tin and natural gas in the 1970s and 1980s led to the demise of the highland economy and a staggering unemployment among Kollas, the population of the highlands,[7] stimulating the migration to the Chapare. This migration process had other causes including cultural ones. A number of Aymara and Quechua Indians found that having given up their traditional family life in the highlands, reentry into their native communities and reestablishing functional traditional familial ties was, and continues to be, extremely difficult. Carlos Dipp, Bolivian president Paz-Zamors's under-secretary for Treatment of Drug Abuse, considers that military service has been one of these cultural factors encouraging migration. Army ex-conscripts, 90 percent of whom are peasants or mestizos, are flatly rejected by their original community: the traits they acquire in the service alienate them from their fundamental social environment. Yet there are few choices available to these individuals outside the Ayllu or kin-based system of production in the highlands.[8] As one of the poorest countries in the hemisphere, Bolivia's formal economy has very little to offer, and the informal economy is flooded. Thus the Chapare became a compelling alternative of for laid-off miners from Potosi and Oruro, and drought-stricken peasants of the Cochabamba valley.

The Camba Traffickers

In 1975 and 1976, the collapse of the cotton market became a decisive event for the Cambas, the settlers in the Bolivian lowlands largely of alleged Spanish descent. Inexperienced cotton growers took easy loans and were impelled to export the produce to repay the banks at a time when international cotton prices were depressed. Large amounts of the crop production wound up unsold as an attempt to retract untimely sales.[9] Coupled with business mismanagement, the subsequent loss of international markets drove the industry into bankruptcy, pushing wealthy Santa Cruz cotton producers to look for a more lucrative enterprise.[10] The enterprise of choice was cocaine hydrochloride, and it required the immediate development and organization of coca cultivation in the vast, suitable Chapare.

Cambas offered immediate cash payment which the laid-off miners of Potosi and Oruro and the drought-stricken peasants of the Cochabamba valley saw as a compelling alternative to unemployment and overwhelming crop failure. Between 1975 and 1982, most of the first stage of cocaine manufacturing, stomping coca paste, was carried out by Koila labor in Montero, north of the city of Santa Cruz.[11] From then on stomping inexorably moved into the growing area, namely the Chapare. Thus the cocaine boom was spawned through the use of primarily Kolla labor in coca production.

Changing Camba-Kolla Relations

Until the 1980s only a few families in the Chapare region were involved in the production of coca paste, the first illicit step in the coca/cocaine trade. Until then, the industry had been primarily a venture for underground networks that operated largely in the Departamentos of Santa Cruz and the Beni. In those early days Kollas would only sell their coca leaf to Zepes ("ants" or Kolla carriers) in the eastern lowlands. Zepes bought the coca leaf from the growers in the Chapare and carried it to the Santa Cruz region where it was stomped under Cambas' supervision by Kolla migrants in that area. The money gained by the stampers and paste dealers was spent primarily in Santa Cruz. This pattern of coca stomping changed in the

1980s. In 1982, "peasant cooperatives" in the Chapare villages of Sinahota and Ivirgarzama undertook processing paste that was sold to the traffickers' organizations to be refined into cocaine hydrochloride for export.[12] At first the "cooperatives" consisted of a few peasant pioneers in paste making. Then the 1983 drought, mine closures, and spiralling unemployment in the highlands and valleys pushed thousands of peasants in the Chapare into coca paste production,[13] and by 1986 numerous Kolla families were producing basic paste as a cottage industry. Today, most land based peasants in the Chapare purchase smuggled kerosene and sulfuric acid or bootleg it themselves to produce cocaine sulphate. Thus, the Chapare has become the spot where coca paste is produced by Kolla labor to be sold to Camba traffickers with the exception of a small portion which is turned into pitucos (or coca paste cigarettes) for consumers in the region.[14]

The increase of paste manufacturing since the early 1980s has driven some experts on Bolivia to claim that this enterprise by growers constitutes a victory of the peasant settlers in the Chapare. Coca growers, according to this view, have been able to negotiate with the Cambas a more important role in the coca/cocaine business.[15]

Though innovative settlers in areas like Chimoré are more amenable to associate with Camba cocaine traffickers,[16] there are clear signs that no such "democratization" process of the trade has ever occurred. The paucity of the region's inhabitants and the lack of sophistication of paste production are clear indicators that this new involvement of Kolla peasant growers in the illicit cocaine business does not represent the upward mobility of campesinos. On the contrary, it represents a transformation from access to a viable peasant economy based on reciprocity and barter, to one of dependency on the cash market: Camba traffickers's economy perpetuates poverty. Furthermore, Camba organizations in Santa Cruz and the Beni have enough economic clout to define the conditions under which purchases from Kolla growers will be carried out. Since enforcement is largely concentrated on the small coca paste producer, Cambas have shifted the weight of repression onto the Kolla by forcing them to stomp coca paste and transport it to pick-up centers.

The Drug Business in the Chapter and Its Transformations

Peasant coca paste producing in the Chapare today is extremely unsophisticated. The variety of items seized to avert paste manufacturing are essential to the everyday life of vast, poor sectors of Latin Americans: fuel tanks, metal drums, plastic sheets, car batteries, kerosene lanterns and of course, toilet paper.[17] A few growers have their own cement secaderos (drying platforms); the rest dry their leaf wherever they are able. Some back roads are covered with coca leaf.

The extent to which coca growing and processing expanded in the mid 1980s in the Chapare is illustrated by the San Miguel episode in 1984. The then executive director of the Secretaría for Tropical Development, a man named Carlos Montaño, toured the Chapare with USAID personnel to encourage local residents to build schools and sanitation posts. At the order of the villages' peasant unions[18] checks were issued to build such utilities on the condition that they be ready by a certain date. Most of these pledges were not met. In the hamlet of San Miguel, however, a small construction to serve as a school was surprisingly ready when Montaño and his USAID party arrived to examine the villagers' accomplishments. Speeches were delivered to celebrate the inauguration. But when the doors of the school were opened to display the interior, and much to Montaño's chagrin, there were no desks or blackboards inside the school. The floor of the construction was covered with drying coca.[19] The episode must have warned Montaño of the use cocaleros would make of new facilities. Any improvement in the area's living conditions was likely to serve the coca/cocaine expanding economy.[20] Thus Montaño became a devout believer that investments had to be made outside of the Chapare; and that any attempt meant to dissuade further cocaUcocaine activities would have to attract peasants away from the Chapare region.[21]

There are two closely interrelated reasons for the current state of enlarged drug production in the Chapare. The first is the prevalence and nature of the market economy of the eastern lowland Cambas. The second lies in the

nature of cocaUcocaine repression in Bolivia. Koilas engage in paste manufacture in the Chapare because they are compelled to by both the official enforcement policy implemented in Bolivia, and the prevailing Camba economic strategy. The approach jointly adopted by the U.S. and Bolivian administrations to discourage cultivation of coca, periodically depresses the market price of the leaf—which is legally consumed—to below production costs.[22] Coca prices have frequently dropped to such an extent that they cannot sustain a livelihood, thus forcing peasant coca agriculturalists into cottage paste industry to make a living.[23] I shall return to this topic.

Until the early 1980s, witnesses assert[24] that the heads of the traffickers' organizations themselves spent time in the Chapare. In the mid 1970s, at the beginning of the cocaine boom, they organized encampments where coca leaf was gathered to be later ferried to the regions of the Beni and Santa Cruz. The leaf travelled on airplanes, trucks and boats. The heads of traffickers' organizations from Santa Cruz, Jorge Roca (known as "Techo de Paja") and Roberto Suarez-Gomez, from the Beni, often visited the Chapare localities of Villa Tunari, Eterazama and Ivirgarzama. The then director of the Direccion de la Coca, Carlos Arauz and NAU[25] agent in Cochabamba, Enrique Valverde recall their dread when they stumbled onto one of them. On a trip to the Ivirgarzama police compound Arauz and Valverde drove into "Techo de Paja" and his squad of bodyguards as they were leaving following a business meeting with the police commandant. Arauz and Valverde took to their heels and so did Techo de Paja and his crew, each thinking that they were being chased by the others.[26]

In those early cocaine times, the famous Roberto Suarez-Gomez was also a frequent visitor to the Chapare. Gomez had made the world's front pages when he offered to pay Bolivia's foreign debt in cash in exchange for immunity to run his cocaine business. Suarez leased a hotel, La Pozas, near Villa Tunari where he mixed business and pleasure with his closest collaborators during the Carnival of 1980. Although Suarez did not have a reputation for being cruel, his sojourn in the Chapare had a deplorable finale with the assassination of Benjamin Cortez, the owner of the hotel. Cortez had threatened to report his guests to the police when they refused to pay his hotel bill.[27] The victim was found shot the next day in his ranch located up the road from the hotel.[28]

When, in the early 1980s, Cambas began to teach Chapareños how to produce coca paste to avoid harassment from police patrols, coca stomping began to spread out in the Chapare. The heads of Camba traffickers' organizations gradually disappeared from the area. Only lieutenants visited the Chapare to supervise the new organizational style that the business had acquired. Camba networks were concerned with making arrangements for the smuggling of precursors into the Chapare and setting up a brokerage system to make pickups of paste more concentrated. These moves saved costs and reduced risk in an increasingly dangerous area. In 1983, the new special anti-drug police corps, the Leopardos, was created and in 1984 the military took over the Chapare on orders from President Siles-Suazo. Although enforcers were inefficient and largely corruptible, it was still safer for Cambas to delegate the first stages of drug production to the Kolla Chapareños. Thus Kolla coca growers acquired from the Cambas the appropriate technique to precipitate the paste from the aguarrica after having stomped coca leaves in kerosene and sulfuric acid.[29]

Today Camba3 organizations from Santa Cruz and the Beni only send lower echelon members to the Chapare to contact intermediaries (rescatistas) to set up the deal with Kollas so that one or two hundred kilos of coca paste may be picked up on a certain date. Leopardo agents are able to ride around and single out these Cambas, most of them in their early twenties. In the mid 1980s, Kollas also began to take over coca paste brokerage that had hitherto been a Camba assignment.[30] The shift came about when two Kolla women known as "Chota Rosa" and "Chola Rosa" appeared on the scene.[31] According to the circulating story in the Chapare both women had the ability to imitate Camba habits. By acting like lowlanders from Santa Cruz and the Beni, and even dressing like them, they were able to pass as lowlanders (Cambas) earning the Camba organizations' confidence. Once the dealings with the Cambas had been wrapped up, the women shifted into Kolla attire to confirm their loyalty to the Kolla cocaleros who also trusted them as members of their own culture. This ability the Rosas possessed turned them into the ideal characters for paste brokerage, facilitating a trade that in essence is inter-ethnic: intermediation is essential. Recently, a new character displaced the two women by coercing them out of the center of intermediation. Chichin, "King of Isinuta," became the number one broker in the region. He was named after the small village where he operates.[32] The career of the two Rosas was eclipsed, largely because control of the trade in

Isinuta is crucial since the village became in 1990 one of the hottest places for traffickers' pick ups.

When I toured the "red area" in the Chapare in October 1990, Camba dealers were still around. "Walkitalkeros"[33] were active in the villages of Eterazama and Isinuta providing their employers with a description of any outsiders entering the area. Leaning over their bicycles pretending to change a tire, or lounging by the river in attempts to mask their purpose, the "walkitalkeros" often neglected to conceal the radio antennae protruding from their backs, making their own presence more conspicuous than they expected.

On the October 1990 tour in Eterazama, San Gabriel and Isinuta, a group of Cambas, lean and short, spotted us and jumped out of a parked truck to disappear behind village hovels. These Cambas were young, barely above the age of twenty, and poorly dressed. According to Leopardo agents, they arrange for cocaine paste deliveries but move in and out of their operation areas to avoid contact with the Leopardo as much as possible. "(T)here goes a new line" commented NAU bodyguard Gustavo in reference to five short men who vanished like a fish school when they saw us on the main street of San Gabriel, in the vicinity of Isinuta. A "new line" means a new organization, many of which are identified because of the "walkitalkeros."[34]

Cambas maintain control of the drug trade in the Chapare through a vast information network. To anticipate raids against their laboratories and air strips, they deploy informers throughout the Chapare region. One NAU official maintains that in Chimoré, a few blocks away from the DEA/Leopardo compound, drug dealers have set up an observation post at a hotel[35] to warn about possible raids on their offices and installations.[36] Prostitutes often gather data from their Leopardo costumers to update traffickers about the drug police plans.[37] In the Chapare, intelligence cannot be separated from the intimate lives of policemen. For example, Colonel Nicolas Anaya, commander of the Leopardo in Chimoré during the winter 1987-1988, developed close relations with a Camba lawyer named Emma Zalarza. A drug dealer herself, Zalarza was the sister of a top trafficker from Santa Cruz to whom it is assumed she conveyed valuable information about the Leopardos' activities.[38] Witnesses add to this account that Zalarza often dined with her lover at the officers' club in the Chapare's main outpost in Chimoré. On such occasions they shared a table with DEA and Special Forces officers.[39] Doctora Zalarza did not merely gather information by

listening to conversations, but contributed her own ideas concerning drug trafficking. Cambas' high life strategies for staying out of trouble make it easy and safe to establish relations with key figures in the Chapare.

The New Mode of Exchange

Since 1987, traffickers have refused to purchase raw cocoa leaf, only buying coca paste from the peasants in the Chapare. This transfer, from traffickers to peasants, of the risks and burdens associated with of smuggling precursors and utensils, this new mode of exchange turns growers into confederates. Thus Cambas neutralize hostility from the peasant unions, tying growers' interests to their own. The strategy clearly allows Cambas to shrink the size of their networks, making them easier to organize and, consequently, more efficient.

Former Bolivian Congressman and socialist presidential candidate, Roger Cortez[40] described this new mode of decentralized production in a parliamentary report. Cortez claimed that by dispersing illicit coca paste manufacturing among the population at large, the now enormous number of transgressors of the Bolivian criminal law render sustained enforcement virtually impossible.

The international drug traffic produces periodical fluctuations in the coca/cocaine business in the Chapare. Anti-drug policing efforts sometimes actually halt that traffic for a short period. This naturally causes a collapse in the price of coca/cocaine for want of purchasers. For a week in February and another in May 1990, the value load of 100 pounds of coca[41] tumbled from 150 bolivianos to ten. The price, however, recovered in days in each instance.[42] Market vagaries of this sort push peasants to increase their participation in coca production and paste manufacture to ensure against future price shortfalls.

The new geography of the coca/cocaine business in Bolivia brought about a new distribution of profits. Although the largest earnings are still made by the Camba organizations from Santa Cruz and the Beni, a higher percentage of the profits remain with a minority of the Chapare's inhabitants, largely brokers who invest their money in the city of Cochabamba. (Of course the vast majority of Kollas growing coca in the region are impoverished.[43])

These changes have had an impact on regional financial institutions. Since the mid 1980s, drug financiers have been operating in Cochabamba through several financial institutions including Finsa, Oscobol and Vial. In 1990 Finsa, allegedly owned by Bismark Barrientos an important trafficker, began to take one-year deposits in American dollars at an annual interest rate of 60 percent. Moreover, half of these extraordinarily high returns are paid in advance to depositors. In 1990 a journalist from Santa Cruz was seriously wounded while conducting an investigation into FINSA's unusual activities.

The Effect of the Transformation on Kollas

Two broad groups of Kolla producers involved in the Chapare coca/cocaine economy can be delineated: peasants who settled in the Chapare in the 1950s and 1960s as part of the government's colonization plan stemming from the agrarian reform of 1953: old time Chapareños and recent Kolla migrants drawn into the area by ecological disasters, massive unemployment in the highlands, increasing landlessness, and the promise of cash in the cocaine market. These groups have different attitudes about cocaine. The old-time Chapareño Kollas consider the production of coca paste an undesirable response to the cyclic loss of market value of the coca leaf and resent the constant pressure exerted upon them by the traffickers. Thus many are reluctant to join the cocaine trade, though they invariably do as the coca market cannot sustain them. In contrast, recent Kolla migrants view the manufacturing of semi-refined cocaine as a more-or-less natural solution to the impossibility of making a living in their home regions. Along with this distinction, there is significant difference between the earlier Kolla migrants and the recent ones. The former migrated to the Chapare as families,[44] the newcomers are overwhelmingly young laborers devoted to the exclusive cultivation of coca because of their immediate need for cash.

With the coca market depressed due to current drug enforcement policy, with Cambas paying cash on delivery, with no subsistence crops and, hence, total dependency on the cash market, the recent migrants turn an ever larger portion of their coca harvests into coca paste. This monocropping and shift to cash dependency means the abandonment of the traditional highland barter economy, family members have remained behind in their natal

villages. A haphazard and risky venture, moving to the Chapare to make fast money from the cocaine trade is not amenable to the migration of families.[45] Bolivian expert Allyn Stearman, recalls having visited colonies in the region of Chimore where there were only men.[46] After selling their stomped paste, many of them return to their highland homes for a few months, and then back to the Chapare and the stomping of leaf into paste.[47]

In contrast to this new pattern, the old-time Chapareños developed long ago a subsistence mode of production that made family life viable in the region. They supplemented coca crops with yuca, rice, citrus fruits, banana and other nourishing foods. Their Chapare was an area where fishing and hunting complemented their sustenance and allowed them to enjoy the natural setting. Chaparenos who relished this way of life today deeply resent the changes introduced by the newcomers' coca monocropping and use of chemicals in paste production. The older settlers claim the newcomers are not attached to the land, that they exploit it "ruthlessly, like the mines they left in the highlands," and that they forsake it once it has been rendered sterile.[48] They view the newcomers' aggressive marketing policies as a threat to their own traditional place in the coca trade, and to their cultural and physical environment. "Trees are being felled everywhere and invariably replaced by coca plantations," protests a born Chapareńno, In October 1990, vast sectors of the Chapare green forest were slashed and burned, and smoke columns could be seen everywhere. Old Chapareños are facing still worse difficulties. Recent settlers are bribing state colonization officials who are demarcating new plots in such a way that they often overlap with previous land concessions, bringing about frequent scuffles. The lack of administrative authorities to settle their conflicts typically results in the forced surrender of the disputed land by the older settlers.[49]

Coca strongly attracts newcomers because it requires less work and demands far less investment than any other agricultural product. But the new mode of cocoa/cocaine production is at variance with the older Chapareños' conception of the place coca had in their economy. To plant subsistence crops and some coca and stomp paste for the family's sustenance is allright. But associating with Cambas and only sewing coca to make immediate profits regardless of any environmental consequences, is not acceptable.

As the older migrants recognize, the new organization of the coca/cocaine industry has had catastrophic effects on the environment. Sulfuric acid utilized to make basic paste contaminates the soil; rivers are becoming

increasingly polluted thus barren of fish.[50] A born Chapareno that I met at a bar in the port of San Francisco showed me his ulcerated elbow, infected a week earlier when he bathed in the San Francisco River. The old timers know that the cocaine trade is distorting their culture, turning their children into addicts, breaking their familial ties, destroying their environment and lives.

In September 1989, I met Anacleto, a prematurely aged, 47 year-old-Chapareño who correctly blamed the newcomers for the destruction of his family. His twenty-two-year-old son worked for one of the new producers. Anacleto's son was paid with coca paste pitucos, and became a heavy addict. Tragically, some years earlier, a newcomer had seduced Anacleto's wife by forcing her to smoke cocaine paste.[51] There is no way a woman can resist a man that makes her smoke paste, Anacleto argued. He went on stating that he had been forced to join the local peasant unions. Their leaders, he claimed, are corrupt and subordinate the members' interests to their own illicit business concerns. The case of Julio Rocha supported Anacleto's assertion.

Rocha was a renowned leader that headed several uprisings in the Chapare including the invasion of Villa Tunari's Leopardo outpost on June 27 1988.[52] Rocha, as his peasant union comrades suspect,[53] owns several plots in the Chapare and employs peasants there to make coca paste. Anibal Aguilar while the under-secretary of Alternative Development to former president Paz Estenssoro, formally accused Rocha of being involved with traffickers' organizations.[54] There was more against Rocha than Aguilar's indictment: Enrique Valverde, the head of the NAU in Cochabamba until 1990, had Rocha fly with him and Leopardo personnel on a helicopter tour over the Chapare jungle. As the enforcement party detected five peasants stomping coca paste, the pilot made a quick landing down wind from the stampers, enabling Valverde and two Leopardos to slip briskly through the bush in order to arrest the peasants. Questioned on the spot by Valverde, the detainees candidly asserted that the coca paste belonged to the owner of the plots where they were stomping. They then added that the proprietor was among Valverde's team; in fact, he was standing in front of them. That man was Julio Rocha.[55]

Old time Chapareños often share Anacleto's sense of impotence to resist the mutation taking place in the Chapare. Becoming entangled in the present coca/cocaine economy is not only increasingly financially indispensable but

also increasingly unsafe. Victor,[56] for example, gave up the local leadership of the Chapare Tropical union in San Francisco and is no longer in the transport business with his small boat. To ferry drugs in the Chapare and the Beni meant trouble. The bodies of carriers found floating in the river are a testimony of the danger involved.[57] Nobody in the transport business can evade carrying coca paste. If it's the carrier's turn to ferry coca paste up river, to rebuff the drug shipment, he necessarily faces the reprisals from the transporters' unions. Like every boat owner, Victor was forced to take whatever merchandise that sat on the San Francisco wharf was assigned to him. All too often the pouches he picked up with his boat contained paste destined for the northern territory of Isiboro Secure where there are numerous air strips. In this business, entanglement with the police or naval patrols are inevitable. The Leopardo and the navy would board his boat to levy "taxes" on coca paste carriers. Oftentimes the journeys wound up in skirmishes with the authorities when the armed Camba passengers repelled the authorities from boarding the boat.

To Summarize

From the described state of affairs it may be inferred that the "war on drugs" contributes to the current situation. Enforcement campaigns to capture head traffickers in the 1980s have failed: trafficking networks remain intact. U.S. efforts to overcome the weaknesses of local enforcement by providing support in the field have also proved inefficient. The participation of DEA agents in the field in joint efforts with the Leopardo has not improved everyday enforcement. Nothing indicates that traffic is being controlled at the top; the current policy has concentrated in persecuting small producers in the Chapare. The Leopardo has elected to exact "taxes" on stompers or to arrest them when the first alternative is not feasible. This strategy involves less risk than confronting traffickers' squadrons of bodyguards and ensures periodical drug seizures and arrests computable as a sign of an enforcement breakthrough. Statistics satisfy the expectations of the U.S. agencies concerned with drug enforcement.[58]

Although the U.S./Bolivian official approach serves the purpose of lowering the price of raw coca by partially deterring its demand for

stomping, the shortcoming of this strategy is evident: while the main traffickers remain intact, so does the overall export of cocaine hydrochloride, securing a permanent demand of coca paste, and ensuring no other alternative for the landless and unemployed Kolla.

In this paper I offer a picture of the atmosphere in the Chapare. It provides an image of the different protagonists that revolve around the coca/cocaine business by explaining the reasons for which policing the drug trade has become infeasible. So far, repression campaigns have dispersed coca manufacturing among a large segment of the population producing an inescapable vicious circle. Enforcement expands the circle and, as it lowers the price of raw coca, more Bolivians are engaged in the drug trade. U.S. and Bolivian agents' compounds are surrounded by ever more peasants which impedes an adequate answer from enforcement officers.

An Explanation: The Anti-Drug Bureaucracies

The repressive campaign that resulted from the war-on-drugs conception has systematically frustrated expectations that the strategy would lead Americans and Bolivians in the direction of reducing cocaine manufacturing and trafficking.[59] To explain the contradiction the repressive U.S./Bolivian anti-drug campaign is effecting, distortions of the strategy will be tackled at the level of the bureaucratic apparata involved in the war. An analysis of a second level concerning drug control within the context of U.S. global policies surpasses the purpose of this paper and will consequently be sidestepped. By this general political level I refer to political motivations and choice, such as the underlying grounds for the war-on-drugs' approach itself, and how drugs and other U.S. competing interests governing foreign relations are traded off.[60]

Although this paper has not specifically focused on Bolivia's politics and economy, the forming of the Chapare's coca/cocaine community has been described against the background of the country's economic plight. Bolivian officials of all ranks know that uprooting the cocaine trade will bring about unbearable side-effects in the short and medium term unless unforeseen economic transformations enable the country to mobilize national resources and absorb a mass of coca/cocaine business layoffs.[61] As things stand, a

hypothetical victory over coca/cocaine manufacturing and traffic will cause dreadful short term side effects: extreme recession and unprecedented unemployment. U.S. Embassy officials acknowledge that, if successful, repression of drug traffic may generate an invasion of the largest urban centers and, consequently, uncontrollable social unrest and a sharp increase in urban criminality.[62] Trade unions will bring the country to a continuous standstill as a last resource to protect coca growers, their strongest clientele since the virtual disappearance of the mining industry.[63] Bolivia's policy options and global solutions are, however, far beyond the reach of this presentation.

I will make the point that flows from the description of the environment in the Chapare, that outcomes that contradict the primary purposes of the anti-drug campaign are the result of structural shortcomings. In Bolivia, undesired effects like the expansion of the coca paste production, result from the behavior of bureaucracies committed to coca/cocaine enforcement and eradication. U.S. and Bolivian bureaucracies articulate through their proneness to contravene both countries' general interests as these interests have been officially spelled out.

Bureaucracies at Work

As a consequence of the importance attached in the U.S. to the "war on drugs" the NAU/DEA have become dominant agencies in U.S. foreign policy since the drug issue topped the U.S. political agenda, namely as a threat to U.S. national security.[64] NAU/DEA agents are being deployed throughout the world administering vast resources and mustering sizeable political clout in countries in which they operate. NAU/DEA personnel wield a decisive weight in international policy making. Their reports have considerable bearing on setting priorities in American foreign policy, especially with Latin America[65] and Asina.

Overseas, this U.S. personnel enjoys diplomatic immunities, special bonuses and wage supplements for what are broadly considered risky tasks. They have plenty of time off that, in Bolivia, they spend in the most luxurious hotels. In 1986, when the U.S./Bolivian Blast Furnace operation was being staged with the intervention of American troops, one of the top

U.S. military officers assigned to Bolivia could not be reached because, allegedly, this officer was playing golf four thousand miles away in Panama.[66] It is no wonder that the NAU/DEA have intensified the pursuance of their sectoral interests.[67] It is worthwhile preserving the situation in which their leverage prospers.[68]

An example of the sectoral policy of perpetuation was the February 1990 slump in the price of coca from over 100 bolivianos to less than 10 bolivianos per load and the subsequent drop in arrests and seizures performed by the Leopardos. The threat of NAU officials to penalize the Bolivian enforcers for what they viewed as inefficient policing[69] shows the way in which the goal of paralyzing drug traffic through efficiency is overridden by the bureaucracies' concern about the statistics to send to Washington.[70] Paradoxes of this sort often arise as a consequence of attaching predominant value to forms and procedures over matters of substance.[71]

The 1990 case of the seven jeeps is another example of the predominant importance of forms. As a consequence of a shortage of vehicles to operate in the rural areas, the NAU headquarters in La Paz lent seven jeeps to the DEA in the Chapare main compound in Chimoré. When NAU personnel in the Chapare discovered that the jeeps had been utilized by the Bolivian Leopardos, its office in La Paz immediately took the jeeps away overlooking allegations that they had been used on urgent enforcement missions. The jeeps were returned to the Chimoré compound only when the head of the U.S. Special Forces in the Chapare, Captain Adam Sanchez, complained vociferously about what he considered a ridiculous decision.[72]

To keep up personal records by destroying stomping pits explains an otherwise baffling lack of reaction towards large cocaine transactions.[73] An example of an approach based on the same sectoral interests. Such a stance explains the failure to destroy large laboratories set up in the Santa Cruz region of Huanchaca. Abundant evidence gathered between May and September 1986 about the laboratories processing hydrochloride in Huanchaca did not unleash any action from U.S. and Bolivian enforcers. As a consequence of enforcers' imperviousness three innocent civilians were assassinated when they visited the area on an environmental research tour. It took both the DEA and the Leopardos 72 hours to get to the spot after the assassinations had been reported. The excuse was trivial. The only helicopter

available needed a new battery.[74] As a result no arrests were made on the spot, and large hydrochloride laboratories that could have been destroyed were timely dismantled by their operators who comfortably left the site, presumably with a large amount of cocaine hydrochloride to re-emerge on the same spot in 1990.[75] Raiding large laboratories is time consuming and dangerous. It is also futile if dossiers may be improved by simply burning stomping pits or destroying small paste kitchens.[76] This feature explains the arrests that took place some twenty miles from the enforcers headquarters in Chimoré, near a village called Vueltadero. Regular coca paste pick ups in that locality were insistingly reported to the DEA and the Leopardos in early 1989. Despite the proximity of the air strip that sat not farther than 20 miles from the Chimoré: headquarters, no arrests were carried out until civilian Bolivian officials took matters into their own hands. Aided by two policemen Carlos Arauz, a civilian in charge of the Direccion de la Coca Legal in those days, arrested the pilot in February 1989. Arauz also seized the cash the pilot had brought along to buy the coca paste he expected to pick up. Witnesses add that the commander of the Leopardos in Chimoré reflected his disgust when Arauz showed up with the detainees and the seized spoils.[77]

Bureaucracies' proneness to produce gross contradictions between the pursued goals of enforcement and the way enforcement is actually carried out are applicable to Bolivian intervening agencies. There is a parallel between these visible incongruities and the logic of Bolivian agencies' behavior at the same, bureaucratic level. Since the country's return to democratic rale in 1982 the U.S. has started looking at Bolivia as meriting more political attention and financial aid. The Leonpardos corps was devised, trained and equipped by the U.S. The Bolivian armed forces are also endowed with U.S. gear which will be considerably increased once the army fully engages in the war. The salient importance of Bolivian coca/cocaine trade into the U.S. has placed Bolivia on the world's political map as is also illustrated by the presence of Italian, French and U.N. technicians in the Chapare.

Drugs have underlined the importance of Bolivian economy and politics. For bureaus involved in drug enforcement the current state of affairs is ideal in a special way. A substitute of the drugs trade to place Bolivia in its current international situation is unthinkable under present circumstances. If the cocaine trade is finally curbed there will be no reason to maintain the

Leopardos and to allot resources the U.S. is supplying to army and naval units. It is also true, however, that the failure of these agencies to produce positive results means, in the long run, curtailment of U.S. aid. The optimal situation consists, therefore, of an everlasting battle to encourage the First World to invest on a seemingly hopeful anti-drug campaign.

Drug enforcement is in Bolivia to stay. There are "natural correctives" that ensure that success will be "commensurate" at the most. These correctives are, first, generalized "compenetration" between bureaucrats and traffickers[78]; second, competition among agencies; third, clientelism. I will here overlook the "compenetration" factor to look at inter-agency rivalry and clientelism. Corporatism and clientelism have dominated Bolivian political economy through a web of social ties that vertically link members from all social classes into anomic sectors and segments largely on the basis of personalism.[79]

Bolivia's Inter-Agency Friction and Clientelism

A "natural" corrective that ensures unsuccessful enforcement is the existing friction between Bolivian enforcement agencies. In early 1989, in the northern territory of the Beni, the Leopardos and their DEA advisers were engaged in a shootout with traffickers and Bolivian naval personnel. The Santa Ana de Yacuma case in 1989 reflects the extreme antagonism underlying armed struggles between the Leopardos and naval personnel who shot at each other while the former was trying to arrest a well known trafficker by the name of Rivero-Villavicencio. The army and the Leopardos displayed their conflicting interests in May 1990 when the former shot at an helicopter ferrying Leopardo personnel. There are historical grounds for the existing inter-agency grudge that hampers enforcement. The primary reason seems to lie, however, in the race unleashed among them all to obtain the largest possible slice of foreign resources. Bolivian agencies' behavior pose a distinct example of sectoral interests overriding national policy.

Thus, corruption and intra-state frictions cause flagrant policy paradoxes. A salient facet of inter-agencies competition results in that adding resources by engaging additional agencies overwhelms drug control instead of facilitating it. This was demonstrated by president Siles-Suazo's order to

have the army control the Chapare in 1984.[80] Internal conflict displaces the general interest rendering chances of success illusory. A high U.S. military officer who participated in Operation Blast Furnace declared after the fiasco that agencies' coordination was unmanageable.[81]

Besides internal competition, political clientelism in Bolivia contributes to hinder effective enforcement campaigns.[82] In 1990, when news circulated in Bolivia that Carlos Arauz had been removed from the Direccion de la Coca Legal after president Paz-Zamora's inauguration, the price of coca suddenly boosted from 60 bolivianos to above 110 bolivianos per load, showing that business had become more promising.[83] Knowing the reputation Arauz enjoyed for his efficiency, replacing him was seen as the cause of the sharp increase in the price of raw coca.[84] Had efficiency been highly assessed by Bolivian administrations, Arauz's position should be granted permanence to remove it from the vagaries of every day politics. The standing practice, however, is that new administrations dispose of as many posts as possible, including those where experience is crucial. Like in most South American countries, political favors are rewarded with appointments in public office. This style of paying back political services has proven extremely negative. Hugo Cochamanidis, Paz-Zamora administration's head of the Direccion de la Coca candidly confessed to the author that his lack of experience makes it difficult for him to fill in Arauz's shoes.[85]

In Conclusion

The natural consequence of bureaucracies' emphasis on statistics has been the concentration of repressive efforts on coca growers. Some Chapareños and observers of the area have denounced that DEA personnel actively participated in ransacking and pillaging settlers' together with the Leopardos.[86] Following complaints from the Catholic Church and human rights organizations, a Bolivian Senate's commission is investigating alleged transgressions consisting of physical abuse and misappropriation of money and goods perpetrated against the peasantry in the Beni region.[87] Representing the commission, Senator Jorge Barrientos declared that neither the UMOPAR nor the DEA had answered to thirty two specific indictments

of serious abuses.[88] However accurate the complaints against the DEA's participation, it is undeniable that U.S. officers in Bolivia work closely with the UMOPAR and are well acquainted with their daily activities. In the best possible case, the DEA consented to the transgressions. This trend broadens the gap between poor peasants and Camba cocaine organizations. Repression strips the former from any negotiation strength to share profits with the Cambas.

The Bolivian war-on-drugs is fraught with paradoxes, Perhaps the greatest of all these paradoxes is the new social environment that U.S. policy has contributed to create. In this environment coca cultivation and drug manufacturing are ceaselessly expanding. As long as cocaine continues to be a cherished commodity in the First World nothing indicates that the present situation will change as a consequence of current policies. If this condition ceases to exist Bolivia will not improve its present economic and institutional plight.

Although this paper does not offer a solution to the flow of cocaine from Bolivia into the U.S., the conclusion it reaches may be considered as a step towards grasping a correct answer: to terminate the implementation of the perverse war-on-drugs' approach. The current policy may well materialize the suggestion made by a U.S. embassy official in La Paz who, in 1952, declared that the only way to sort out American problems in the region was to "abolish Bolivia."[89]

Notes

1. The rural anti drug police was created by Bolivian president Silez-Suazo in 1983 as an elite anti-drugs force. Also called UMOPAR (mobile unit of rural patrol), the Leopardos are trained by U.S. personnel.

2. The second largest coca producing area in the world after the Upper Huailaga valley in Peru, the Chapare stretches a hundred miles north of the town of Cochabamba. Estimates about the size of coca and cocaine production in Bolivia vary dramatically from author to author; even official Bolivian and foreign agencies have different figures. Oporto-Castro and Campodónico coincide as to the cultivated extension: about 70,000 hectares of coca have been grown in Bolivia, and the country's cocaine yield amounts to 132,400 tons of leaf. The yield of Bolivian coca leaf lies between 100,000 tons and 150,000 tons. 100 kilos of leaf yield 4 to 4.5 of coca paste and 50% of the volume of coca paste is lost when refined into cocaine hydrochloride. See Henry Oporto-Castro, "Bolivia: El complejo coca-cocaina", in Coca, cocaina v narcotráfico: Laberinto en los Andes. Comisión Andina de Juristas, Ed. Diego García-Sayán, Lima, Perú, 1989, p. 171. Also Humberto Campodónico, "La polítiea delaveztruz", in the same book, p. 223.

3. January 19, 1990 issue.

4. It was the moming of Wednesday 16 January, 1990. La Paz newspaper, El Pais shows a picture of the Leopardos burning over a ton of coca paste. It does not mention senators from the U.S., but a congressmen. See unofficial translation of a report of members of the Committee of Information, Justice and Agriculture, presided over by John Conyers, La Paz newspaper Ultima Hora, September 30, 1990.

5. James E. Inciardi and Scott MacDonald are exponents of this view. Inciardi describes Bolivia's capital, La Paz, as a city with a "a small population of financial elites-merchants, professionals, and politicians who see to the needs of the city and the country; executives and landowners made affluent by Bolivia's rich mineral resources; and "narcotraficantes", whose extravagant wealth has come from the cultivation of the drug leaf and its processing into cocaine" (James A. Inciardi, The War on Drugs: Heroin. Cocaine. Crime, and Public Policy. Mayfield Publishing Company, Mountain View, California, 1984, p. 178). Inciardi seems to disregard several facts. The time of tin magnates Patiño, Aramayo and Hochschild is long gone. Their mines shifted into the hands of to the Bolivian state in 1952. Tin has never been profitable since that time. Making fortunes out of this mineral is far from simple. But what is really misleading is the way the author classifies Bolivians. Nobody who has visited Bolivia with some curiosity would venture separate landowners from politician, or politicians from merchants. Above all, no one would isolate any of these sectors from cocaine traffickers. The only clear distinction that the Bolivian environment allows for is the one that Inciardi overlooks: only the Aymara and the Quechua Indians from the Andes engage in coca growing; traffickers never do. Another example of over-simplification of the Bolivian picture is supplied by Scott MacDonald. MacDonald claims that the 1952 revolution that displaced General Hugo Ballivián's regime was largely responsible for the development of a cocaine oligarchy in Bolivia. MacDonald's main argument is that, by debilitating military authority, parts of the country acquired an excessive autonomy in 1952 that led to the formation of drug run regions (See Scott B. MacDonald, Mountain High. White Avalanche: Cocaine and Power in the Andean States and Panama. The Washington Papers, New York/Westport/Connecticut/London, 1989, p.68). Two essential points are missed by MacDonald. First, that regional cultures have always been dominant in Bolivia; if anything, the MNR revolution of 1952 that toppled General Vallivián attempted to create a national movement to envelop regional diversity. Second, in Bolivia, the drug oligarchies were developed much later, during two military dictatorships: It was during General Banzer's rule (1971-78), that unsuccessful cotton growers from Santa Cruz moved into the Chapare for raw substances to develop a cocaine industry. In the early eighties cocaine business gained its present size under another military dictator. General Garcia-Meza and his Minister of the Interior, Colonel Arce-Gomez are known to have set up the famous Bolivian "cocaine dictatorship". Neither general distinguished himself for encouraging regional autonomy but rather by their attempt to exercise unlimited centralized power.

6. See Anibal Aguilar-Gomez, "El impacto desestructurador del capital paralelo sobre la economia campesina", Procampo. La Paz, November, 1987.

7. Juan Jose Castro and Walter Gomez, "Crisis economica y perspectivas de la democracia", in Democracia a la deriva: Dilemas de la participación y concertación social en Bolivia. PNUD, CLACSO, CERES, La Paz, 1987, p. 177.

8. Crandon defines Ayllu as an "extended kinship organization that involves reciprocal obligations, especially ayni, and mutual support." Libbet Crandon-Malamud, From the Fat of our Souls. University of California Press, 1991, p. 247.

9. Some observers attribute the fiasco to the attempt to make up for the forgone profits by selling shorter strand cotton which was rejected by European purchasers. This version is espoused by Enrique Valverde, Chief of the US State Department's Narcotic Assistance Unit (NAU) in Cochabamba, Bolivia until 1990.

10. Susan Eckstein, "Transformation of a 'Revolution from Below- Bolivia and International Capital", in (1983) Society for Comparative Study of Society and History, p. 105.

11. Allyn MacLean Stearman underlines the importance of the cocaine market in this locality since the mid seventies (Camba and Kolla: Migration and Development in Santa Cruz. Bolivia. University of Central Florida Press, Orlando, Florida, 1985, p. 133.

12. Flores y Blanes, Donde va el Chapare?. Centro de Estudios de la Realidad Economica y Social, Cochabamba, Bolivia, 1984, p. 140.

13. See La Paz archbishop' exhortation to the government for aid to peasants, Mons. Luis Sainz; La Paz newspaper Presencia March 3, 1990. See also Presencia of April 13, 1990.

14. See, for example, Colin Sage, "Drugs and economic Development in Latin America: A Study in the Political Bolivian Economy of Cocaine in Bolivia", in Corruption. Development and Inequality. Ed. by Peter M. Ward, Routlege: London/New York, 1989, p.44.

15. Anthony Henman, "Cocaine Futures", in Big Deal: The Politics of the Illicit Drugs Business. Ed. by Anthony Henman, Roger Lewis and Tim Malyon, Pluto Press, London and Sydney, 1985, p. 152; Kevin Healy, "The Boom Within the Crisis: Some Recent Effects of Foreign Cocaine Markets on Bolivian Rural Society and Economy", in Coca and Cocaine: Effects on People and Policy in Latin America. Cultural Survival Report, Ed. by Deborah Paccini and Christine Franquemont, Latin American Studies Program, Cornell University, April 25-26, 1985, p. 126; also "Coca, the State, and Peasantry in Bolivia, 11, 1982-1988, in Journal of Interamerican Studies and World Affairs. Vol. 30, No. 2 & 3, Summer/Fall 1988, Ed. by Bruce Bagley, p. 121.

16. Anthony Henman, "Cocaine Futures", in Big Deal: The Politics of the Illicit Drugs Business. Ed. by Anthony Henman, Roger Lewis and Tim Malyon, Pluto Press, London and Sydney, 1985 p. 149.

17. See Jo Ann Kawell,"The Addict Economies", in NACLA. Vol. XXII, No.6., March, 1989.

18. Each village has its own peasants union. In the Chapare there are 170 such unions grouped in 21 centrales (see Delaine, Bernard Louis, Coca Farming in the Chapare: A Form of Collective Innovation. PhD dissertation, Saint Louis University, University Microfilms International, 1990, p. 57).

19. Lawyer Enrique Valverde in Villa Tunari, Chapare, October 5 1990. Valverde was an adviser of the NAU in 1990.

20. Montaño became a staunch advocate of spending resources in the valleys and highlands to attract their original inhabitants back. In 1987 Montaño resigned when he opposed the then president Paz-Estenssoro's official for "alternative development", Anibal Aguilar, Aguilar insisted on spending most of the funds available in the Chapare. Interview with an engineer from D1RECO, Chapare, May, 1990.

21. Interview with Carlos Montaño, La Paz, May 21,1990. The "Chapare Region", as referred to in this text corresponds with the customary generic language in Bolivia. This region encompasses the tropical portions of the provinces of the Chapare, Tiraque and Carrasco.

22. The "Plan Trienal" of 1986 pursued the same goals as U.S./Bolivian Operation Blast Fumace: to dissuade peasants from growing coca by dumping the price of the leaf below costs. See Jose

Antonio Quiroga, "Paradojas de una responsabilidad compartida", in Nueva Sociedad. Caracas, Venezuela, No. 102, July-August, 1989, p. 169. The same goal was made explicit in the Cartagena Accord between presidents Bush, Barco, Garcia and Paz-Zamora in February 1990.

23. There are times when the price was so low that even dealing in coca paste became inviable. In February and May 1990, the value of coca collapsed from 150 bolivianos a load to 10 or 12. However, these periods have not lasted more than a few weeks at the most.

24. NAU adviser, lawyer Enrique Valverde, September 16, 1989. Interviews in Cochabamba research institution CIDRE, Cochabamba physician Mario Argandoña, January 15, 1990, and sociologist Julio Alem, May 27, 1990.

25. NAU (Narcotics Assistance Units) is under the jurisdiction of the INM (International Narcotic Matters) based in Washington DC. The main responsibilities of the NAU consist of funding crop substitution programs and designing strategies to obtain the contribution of the host countries. Additionally, the NAU/INM combination administers funds for enforcement. In Bolivia, this role has become prominent. See Ethan A. Nadelman, Coos Across Borders: Transnational Crime and International Law Enforcement, unpublished PhD dissertation, Harvard University, Political Science department, June 1987, p. 258.

26. Enrique Valverde, Villa Tunari, May 30, 1990.

27. Former presidential candidate and congressman Roger Cortez, interview in La Paz, January 9, 1990. Cortez is currently running a TV news program.

28. Interviews with Enrique Valverde in Villa Tunari, May 30, 1990, and former Congressman Roger Cortez in La Paz, January 9, 1990.

29. As Edmundo Morales explains, the transformation of the leaf into a mushy substance (coca paste) is performed through three chemical stages under the action of sulfuric acid, kerosene and sodium carbonate or their substitutes. Pit laborers stomp on the leaves that float on water and sulfuric acid poured into holes on the ground. The bottom of these pits are rendered watertight with plastic sheets placed on the bottom. Plastic sheets are also utilized as shades at the sides of the pit to protect its content from the dirt that drifts with the breeze. The resulting "broth" (caldo) is treated with an alkaloid base, normally sodium carbonate. After shaking the broth together with the alkaloid, the base is stirred into a "soup" which is later mixed with a solvent, normally kerosene. The result of this treatment is the precipitation of a mushy substance that is then dried out in the sun. This operation is usually sped up with paper, largely toilet paper. The transformation of coca paste into cocaine hydrochloride is no longer peasants' business. This final process of refining cocaine is relatively complicated and refined. It requires electricity, special presses, ether(,) acetone and more sophisticated anticorrosive containers such as porcelain vases. Thus, it requires capital. Cocaine hydrochloride is known to be produced on a large scale in hidden spots in the Beni and Santa Cruz. From those localities cocaine was traditionally transported to Colombia. Recent reports claim that the Colombians have been partly displaced by Brazilian rings and also that some Bolivian organizations have dared sidestep both to smuggle the drug into Europe, mostly through Spain. There are exceptions however. It is said that some families manufacture hydrochloride even in their homes in the towns of Santa Cruz and Cochabamba. In the sixties, a man called the Nobel Laureate for his ingenuity, managed to refine cocaine for a group of friends behind the altar of the Cochabamba's prison chapel.

30. See what was known as the "Conyers' Commission Report", Ultima Hora, La Paz, August 30 1990. Conyers was the chairman of the Subcommittee for Information of Government, Justice and Agriculture of the U.S. in Bolivia, Peru and Colombia. For the official version see

"Committee on Government Operations, Thirty Eighth Report: United States Anti-Narcotics Activities in the Andean Region", Washington D.C., November 1990.

31. In local parlance "Chola" stands for Kolla woman from the highlands and "Chota" for a Camba lowlander female. The versatility of these two women made it almost impossible to know who was who when the Chola dressed as the Chota, or the Chota disguised as a Chola (Enrique Valverde, Chapare, October 1990). Ex Foreign Affairs Minister Bedregal Gutierrez claims that Chola Rosa's real name is Rosa Romero de Húmerez. See Guillerrno Bedregal Gutierrez and Ruddy Viscarra-Pando, La lucha boliviana contra el narcotrafico. Los Amigos del Libra, La Paz, 1989, p. 167.

32. Interview with La Paz Ultima Hora journalist and writer José Antonio Quiroga-Stanta Cruz in La Paz, September 30, 1990.

33. From Waikie Talkie; walkitalkeros are Chaparaños whose mission consists in forewarning the Cambas about possible dangers, especially the UMOPAR and the DEA.

34. Interview with Gustavo, a Paraguayan NAU employee in Chimoré, Chapare, May 28, 1990.

35. The UMOPAR driver, whom I asked for details, thought it was the Hotel Napoles.

36. Chapare, January 16, 1990.

37. Interview with Enrique Valverde in Villa Tunari, January 14, 1990.

38. This story was confirmed by everyone having served in that outpost at that time. The version coincides with the promiscuity referred to in the Bolivian version of the "Conyers' Report" as published by La Paz newspaper Ultima Hora, August 30 1990. Ultima Hora quotes Congressman Conyers, who visited the Chapare as a head of an investigative commission of the U.S. House of Representatives, saying that the Chimoré barracks were a mess. Officers' lovers and even prostitutes walked in and out of the site at will.

39. Enrique Valverde, May 26, 1990; Gustavo, May 28, 1990.

40. "Informe Parlamentario del Caso "Huanchaca", (unpublished), 1986, p. 27.

41. A load of coca ("carga") is equal to 100 Lbs (46 kg.).

42. Villanueva's coca is reportedly new. Experts in the region considered this area as one in which eradication efforts had succeeded in freeing itself from dependence on the coca economy. Among other sources, are conversations with Julio and Pablo in Villanueva, May 28, 1990. Julio and Pablo work for Eudoro Barrientos, a conspicuous and controversial peasant union leader from Villaneuva.

43. According to Jose Blanes, Fernando Calderón, et. al. in their monography Tras nuevas raices: Mieraciones internas y colonizacion en Bolivia. Proyecto Politico de Poblacion, Ministerio de Planeamiento (no date supplied), 78% of the Chapare settlers do not own more than one plot of land (parcela) while in Yapacaní, a Santa Cruz region that borders with the Chapare, only 49 % own only one plot (p. 117). A plot's size varies between one and forty hectares with a very reduced cropping surface due to the lack of machinery to fill in the swamps or cut down the dense forest (p. 118).

44. See Xavier Albó, Kitula Liberman et. al., Para comprender las culturas rurales en Bolivia. Ministerio de Educacion y Culture, La Paz, Bolivia, 1989, p. 190.

45. Painter adds regional diseases, poor diets and medical problems, and bearing the brunt of police repression and traffickers' reprisals. Michael Painter, "Institutional Analysis of the Chapare Regional Development Project", Institute for Development Anthropology, Clark University, Worcester and Institute for Development Anthropology, Binghampton, 1990, p. 42.

46. From a conversation in the city of Cochabamba on May 27, 1990.

47. Allyn Stearman, conversation in the city of Cochabamba on May 27 1990.

48. Flo res y Blanes, Donde va el Chapare?. 1984, p. 140.

49. Interviews in the Chapare with Enrique Valverde, January 17, 1990 and Leopardo (UMOPAR) Captain Ayala, May 1990.

50. See Bernard Louis Delaine, Coca Farming in the Chapare: A Form of Collective Innovation. Dissertation, Saint Louis University, University Microfilms International, 1990, p. 42.

51. Interview in San Miguel, Chapare, September 16, 1989.

52. Cochabamba Journalist Elva Morales, Interview on January 15, 1990. See Jaime Malamud-Goti, "Soldiers, Peasants, Politicians and the War on Drugs in Bolivia", The American University Journal of International Law and Policy. Vol. 6, No 1, Fall 1990.

53. Interview with COB (Bolivian Workers' Corporation) leader Secundino Montevilla at the COB's offices in La Paz on September 1, 1989. Julio Rocha, Felipe Tapia and a third union official had been allegedly involved in paste manufacturing, and owning the land plots where the stomping pits had been dug. Montevilla showed no solidarity with Rocha or his associates, disengaging himself from the suspects.

54. COB leader Secundino Montevilla, La Paz, January 10, 1990.

55. Enrique Valverde, tour in the Chapare, September 15, 1990.

56. The author met Victor in Villa Tunari, Chapare, on January 16, 1990.

57. Interview in the Chapare port of San Francisco with local "Chapare Tropical" union leader Victor on January 16, 1990.

58. Methods applied by enforcement agencies to assess their achievements is a source of concern for the U.S. Congress Committee on Government Operations. The use of "micro level indicators" such as "arrests" and "seizures" are one of the controversial aspects of these assessments (See Thirty-Eighth Report of the United States Anti-Narcotics Activities in the Andean Region., Washington 1990, p. 30. Also, Jose Miitembaum, anthropologist and ex-advisor to the COB (Bolivian central trade union), "Frente a la militarización consideramos la legalización, 1990 (unpublished).

59. Whatever the outcomes in Bolivia, it is also true that, according to some authors, U.S. officials, some of which serve in the State Department, consider the overall conception of the "war on drugs" a consequence of political rhetoric. Thus, these officials have posited little hopes that the strategy will work. See Ethan Avram Nadelman, Cops Across Borders: Transnational Crime and International Law Enforcement. Doctoral Dissertation Submitted to the Department of Government, Harvard University, 1987, p. 260.

60. It is noted that at the State Department there is a lack of concern for the drug issue at the highest levels. As a consequence of this, the re-negotiation of contracts that could have helped Andean Countries out of their economic plight while diversifying their economies were simply neglected. Such is the case of the neglect of Colombian coffee exports in 1990 (see page 22 of the report).

61. See "United States Anti-Narcotics Activities in the Andean Region", Thirty Eight Report by the Committee on Government Operations (U.S. Government Printing Office. 1990), p. 10

62. A U.S. diplomat at the embassy in La Paz expressed this view to the author on May 23, 1990.

63. The capacity of trade organizations to react strongly to the impediment of the coca/cocaine trade has been demonstrated by the mobilization of thousands of cocaieros and their supporters to obstruct communications between different vital centers in the country. Coca growers' have turned into the country's unions' strongest clientele. See, for example, Kevin Healy, "Coca, the State, and the peasantry in Bolivia, 1982-1988, in Journal of interamerican Studies and Worlds Affairs. Special Issue, Vol. 30, Nos. 2 & 3, Summer/Fall, 1988, p. 105.

64. See President Reagan's secret directive issued in 1986. See Ethan A. Nadelman, Cops Across Borders: Transnational Crime and International Law Enforcement. Doctoral Dissertation presented to the Department of Government, Harvard University, 1987, p. 225.

65. Over time there is hardly a Latin American country that is not responsible before the eyes of the U.S. for failing to control the drug business. In Bolivia and Peru 80 or 90 percent of the world's circulating coca is grown and cocaine semi-refined and fully refined. Coca is also grown in Ecuador and Colombia. Marihuana grows in Colombia and Paraguay. Trafficking organizations operate from Colombia and Brazil. Argentina, Chile, Uruguay, Brazil, Bahamas, Honduras and Guatemala are considered transit or transhipment countries. Belize, Panama, the Caiman Islands and Uruguay are money laundering havens. Panama enjoys a special status given Noriega's personal involvement in sundry drug related activities. And Nicaragua and Cuba have been indicted of cooperating with drug traffickers for economic, political or both kinds of reasons combined. From this picture it is hard to remove one single Central or South American nation from the U.S. anti-drug quest.

66. Interview with NAU agent in La Paz, May 26, 1990, and UMOPAR officer in Chimoré, Chapare, May 28, 1990.

67. For a study of bureaucracies' behavior, see Oscar Oszlak, "Notas criticas para una teoria de la 'ourocracia estatal", in Oscar Oszlak (ed.), Teoria de la burocracia estatal. 1984, p. 284.

68. The inclination I refer to is revealed by an ex DEA veteran, Michael Levine:" ... [I], too, believed that DEA was corrupt, but in a totally different way. Wheeler believed the whole agency was taking graft and selling drugs. I believed the suits (in DEA jargon "suits" are bureaucrats alien to undercover or other risky tasks) were lying to the American public to perpetuate the funding of the agency and its programs and, of course, their jobs; not to mention parlaying their easy access to the media into more lucrative careers in the private sector and politics; along with a host of other reasons that had nothing to do with winning the drug war". See Deep Cover: The Inside Story of How DEA Infighting and Subterfuge Lost Us the Biggest Battle of the Drue War. Delacorte Press, New York, 1990, p. 159. My view, however, is more encompassing because my research shows that deceit is a structural feature of the agency at most levels of decision-making and implementation. I admit to have gathered no data concerning Levine's type, undercover agents.

69. ANAU agent in Villa Tunari, Chapare, May 28 1990; also a UMOPAR officer, Chimoré, Chapare, May 29, 1990.

70. Methods applied by enforcement agencies to assess their achievements is a source of concern for the U.S. Congress Committee on Government Operations. The use of "micro level indicators" such as "arrests" and "seizures" are one of the disputable aspects of these assessments. See Thirty-Eighth Report of the United States Anti-Narcotics Activities in the Andean Region., Washington, 1990, p. 30.

71. In a recent report of United States Anti-Narcotics Activities in the Andean Region it is noted "The result of the misplaced emphasis on microlevel indicators of success may be inaccurate and/or misleading information provided to Congress. 'Overly positive' International Narcotics Control Strategy Reports (INCSRs) are one example..." ThirtyEighth Report bv the Committee

on Government Operations. November 30 1990, p. 31. For a distinction between "procedural" and "substantive" bureaucratic responsivenessand the intertwining of ends and means see Douglas T. Yates Jr., "Hard Choices: Justifying Bureaucratic Decisions" in Joel L. Fleischman el al (eds.), Public Duties: The Moral ObliEation of Government Officials. Harvard University Press, Cambridge, Massachusetts, 1981, p. 32.

72. Interview of two high ranking Leopardo officers in Chimoré, May 29, 1990.

73. An example of the opposite stance equally illustrates the point. The following is a disclosure from a high official of the Argentine Gendarmerie in August 1988 in Buenos Aires when the author was the Solicitor to that country's Supreme Court: "Relations with "the U.S. (DEA) have always been peculiar. We never ever got from the DEA the information we expected and we knew they had it. On its tour, the DEA undertook on the most extravagant ventures. Very few basic paste stomping pits were found in Argentine territory over the 1970's and 1980's. We have never heard of cocaine laboratories in this country except for a few located in the jungle on the border with Bolivia. Despite this fact operation "Nomo" was envisaged by a regional DEA official. This idea ensued Baker's accusation that the Argentine enforcement agencies were not doing their job. A search operation, Nomo, was addressed at detecting and destroying laboratories in Argentina's north west. As I said, we never heard of such laboratories existing in this country and the DEA never supplied any data as to the reality of the target. It is no surprise that laboratories were never even detected and as a result the Argentine branch of the DEA was placed under receivership. The head, an ex cop from the East Coast was reassigned. One thing was clear: National Gendarmerie voiced an unequivocal objection to bring cocaine into Argentina for whatever purpose, even for sting operations as the DEA wanted.

74. Interview with Hugo Cochamanidis, son of one of the victims, and director de la Direccion de la Coca Legal in La Paz, May 24, 1990); and interview with Carlos Arauz, previous director of the Direccion de la Hoja de Coca Legal in La Paz, September 14, 1989.

75. Although gossip about the rebirth of drug related activities in Huanchaca has spread out among Chapare enforcers, a Major of the UMOPAR that the author met in Ivirgarzama, Chapare, claimed to have detailed information about this issue. So too did Cochabamba T.V. journalist Elva Morales who was interviewed in a bar in Coehabamba on January 15, 1990.

76. "The result of the misplaced emphasis on microlevel indicators of success may be inaccurate and/or misleading information provided to Congress. 'Overly positive' International Narcotics Control Strategy Reports (INCSRs) are one example..." United States Anti Narcotics Activities in the Andean Region, Thirty-Eighth Report by the Committee on Government Operations, November 30 1990, p. 31.

77. interview in La Paz with a Leopardo officer who was a direct witness to the scene, on September 14, 1989.

78. I have adopted the term "compenetration" from Henman, It is obvious that, in communities where formal law is seldom respected, "corruption" may be an inappropriate term. Corruption means accepting or offering bribes to improve one's own -or any other person's- position. When bribery becomes the rule that definition does not hold. See "Cocaine Futures", in Anthony Henman, Roger Lewis and Tim Malyon The Big Deal: The Politics of the Illicit Drugs Business. Pluto Press, London, 1985, p. 155).

79. Much has been written on the sectorial and anomic structure of Bolivian society including James M. Malloy's 1977 seminal "Authoritarianism and Corporatism: The Case of Bolivia," in Malloy (ed.), Authoritarianism and Corporatism in Latin America. Pittsburgh, University of Pittsburgh Press; Jonathan Kelley and Herbert Klein, Revolution and the Rebirth of Inequality,

Berkeley, University of California Press, 1981; and James Dunkerley, Rebellion in the Veins. London, Verso Press, 1984.

80. See Jaime Malamud-Goti, "Soldiers, Peasants, Politicians and the war on Drugs in Bolivia, The American University Journal of International Law and Policy. Vol.6, No. 1,1990.

81. UMOPAR officer in the Chapare, May 25, 1990. With reference to U.S. agencies, a U.S. Congressional Commission in 1990 wrote: "[T]he operational approaches of DEA and the Departments of State and Defense are divergent and even contradictory . . . Absent studious coordination and oversight, these differences in approach erupt into confusion and conflict at the operational level".(United States Anti-Narcotics Activities in the Andean Region, Thirty-Eighth Report by the Committee on Government Operations. Washington 1990, p. 23.

82. See James Malloy, "Authoritarianism and Corporatism: The Case of Bolivia," in Malloy (ed.), Authoritarianism and Corporatism in Latin America. Pittsburgh, University of Pittsburgh Press, 1979, p. 459; and Colin Sage, "Drugs and economic Development in Latin America: A Study in the Political Bolivian Economy of Cocaine in Bolivia", in Peter M. Ward (ed.), Corruption. Development and Inequality. Ed. by Peter M. Ward, Routlege, London, 1989, p. 44.

83. Although Paz-Zamora stepped down in August 1989, Carlos Arauz was not replaced until January 1990. Only personal prestige may have kept Arauz in his post given that, in Bolivia, replacements in the national bureaucracies occur almost immediately after a new administration is inaugurated.

84. See interview with the former head of the NAU in Cochabamba, Enrique Valverde, Villa Tunari, September 15, 1989.

85. Interview in the La Paz main office of the Direction on September 28, 1990.

86. Elva Morales, has specialized in following these events in the Chapare region. I interviewed her in the city of Cochabamba on January 15, 1990. Also, interviewed were two cocaleros from Villanueva, Pablo and Julio, whom NAU officials knew, September 16, 1989.

87. Serious concern from human rights activists and denunciations from the pastoral secretariat of the Catholic Church are reflected in a U.S. Senate investigation reported in La Paz newspaper Presencia on April 4, 1990.

88. Ibid.

89. See Lars Schoultz, National Security and the United States Policy toward Latin America. Princeton, New Jersey, Princeton University Press, 1987, p. 34 and footnote 2.

5

Colombia's Cocaine Syndicates

Rensselaer W. Lee, III

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Abstract

Colombia's main drug trafficking coalitions—the Medellín and Cali syndicates—constitute powerful illegitimate interest groups. Traffickers, especially the Medellín coalition, exert political influence partly through violence and intimidation. Yet, the drug lords' political arsenal also includes non-coercive tools—bribery, investments, contributions to political campaigns, and even open lobbying in the media. Conventional law enforcement strategies have been ineffective against the cocaine mafia, which is well entrenched in Colombian society. Wide domestic opposition to the drug war has prompted Colombia to opt for an unconventional strategy: negotiating the voluntary withdrawal of major traffickers from the cocaine trade. This approach has yielded a reduction in drug-related violence in Colombia, but has had little impact on the cocaine industry per se. Progress in the war against cocaine in Colombia will require strengthening the criminal justice system, introducing tougher antidrug statutes and applying U.S. principles of plea bargaining in dealing with the cocaine mafia.

Introduction

The cocaine industry constitutes a powerful, well-entrenched, and ruthless interest group in Colombia. The cocaine lords apparently have successfully coopted parts of the power structure and intimidated many of their enemies. This article:

- Describes the organization, tactics, operation, and political behavior of Colombia's cocaine syndicates—especially the coalition of trafficking groups centered in Medellín and Cali

- Discusses the internal structure of these coalitions, their organizational and financial resources, and their military and logistical capabilities
- Depicts the behavior of traffickers in Colombian society today, their penetration of legitimate economic and political institutions, and their complex relations with Marxist guerrilla groups

This article emphasizes that recent anti-drug strategies in Colombia—strategies that rely on intensified repression in Colombia and on significant inflows of U.S. military and law enforcement assistance—have not substantially disrupted the Colombian cocaine trade. Perhaps more important, such strategies have failed politically and no longer enjoy the support of the Colombian population. Attention in Colombia is now focused on the possibility of a negotiated settlement to the drug war; indeed, all the top leaders of the Medellín cartel recently have surrendered to justice or have taken advantage of lenient terms offered by the Gaviria government. The settlement with the Medellín kingpins left much to be desired from a law enforcement perspective—Colombia's interest centers more on ending mafia-inspired violence than on ending the cocaine trade itself. Nonetheless, negotiations with traffickers do represent a possible tool of warfare against the cocaine multinationals. Such an approach clearly would be worthwhile if it crippled existing drug businesses and elicited the knowledge necessary to improve the fight against future cocaine operations. This article will review the history of Colombia's narcodialogues and will explore the viability of negotiations as a drug-fighting strategy.

Structure of the Cocaine Industry: Organizational Issues

Colombia accounts for 10 to 15 percent of the world's coca-leaf production, making it the third largest cultivator. Colombia, on the other hand, is by far the most significant producer of refined cocaine (cocaine hydrochloride) in the world. In 1989-1990, at least 70 percent of the cocaine sold in international markets originated from refineries in Colombia.[1]

The cocaine business in Colombia is very highly concentrated. Two loosely articulated coalitions of criminal families centered, respectively, in

the cities of Medellín and Cali account for 70 to 80 percent of Colombian cocaine production. The remaining 20 to 30 percent lies mostly in the hands of independent trafficking groups based in Pereira, Bogotá, and the north coast of Colombia; however, Colombia's most important guerrilla group—the Revolutionary Armed Forces of Colombia (FARC)—also may control some refining facilities. The Medellín and Cali coalitions, often somewhat misleadingly called cartels, successfully exported an estimated 350 to 500 tons of South American cocaine in 1990; some of those exports comprised cocaine transshipped from Bolivia and Peru.[2] The majority of those exports—perhaps 80 percent—went to the United States, and most of the rest was shipped to Western Europe. The coalitions' 1990 earnings from international cocaine sales are estimated at more than $8 billion, of which 50 percent or more was profit; that year, Colombia's legal exports were valued at approximately $7 billion.[3]

Production and price-setting mechanisms in the Medellín and Cali coalitions are not clearly understood.[4] However, there is evidence that the cartels' wholesalers in the United States receive direct orders (often by fax) from Cali or Medellín on what to charge different customers for different quantities of cocaine (measured in kilos). In addition, considerable business collaboration occurs within each coalition—traffickers co-insure cocaine shipments, engage in joint smuggling or production ventures, exchange loads, and jointly plan assassinations. Moreover, cocaine barons share a common agenda that includes blocking the extradition of drug traffickers and immobilizing the criminal justice system.

From a law enforcement standpoint, the narcotraficante organizations represent a major challenge. According to a Colombian journalist who has researched the mafia extensively, the Cali and Medellín coalitions together comprise 24,000 employees and associates and are established in 25 countries. "Some 1,000 people in Colombia, the United States, and certain European capitals constitute the top echelons" of these coalitions.[5] Yet, according to a report issued by the U.S. Senate Permanent Subcommittee on Investigations, the Medellín cartel alone comprises "approximately 200 individual trafficking groups" that engage in different phases of cocaine production, transportation, and distribution.[6] Many groups or organizations operate cocaine refining facilities. Available information suggests that production in the Medellín and Cali coalitions seems relatively dispersed—many cocaine trafficking organizations (or families) own and operate

cocaine hydrochloride facilities. Of course, a single organization may own more than one laboratory. In addition, several trafficking groups may jointly own a large laboratory complex. For example, Tranquilandia, a large complex of 14 cocaine laboratories discovered in Caqueta in 1984, apparently was the property of at least three major Medellín traffickers—Jorge Ochoa Vasquez, Jose Gonzalo Rodríguez Gacha, and Pablo Escobar Gaviria.

On the other hand, downstream operations traditionally have been relatively centralized—leadership of the cartels is equivalent to control over distribution and marketing. Colombia's major drug lords—the men at the apex of the trafficking pyramid—apparently coordinate the smuggling of cocaine to the United States and other overseas markets. For many years, the kingpin list included Cali traffickers Gilberto Rodríguez Orejuela, his brother Miguel Angel Rodríguez, and Jose Santa Cruz Londoño; and Medellín traffickers Pablo Escobar Gaviria, Jose Gonzalo Rodríguez Gacha, and the three Ochoa brothers (Jorge, Fabio, and Juan David). The leading traffickers controlled their export and distribution networks in part by offering suitable suppliers an insurance package for their shipments. That is, the traffickers guaranteed 100-percent replacement of any cocaine shipments that are lost or seized. (In return, small suppliers pay the exporters an insurance premium calculated according to the risk of confiscation.)[7] With Rodríguez Gacha dead and Escobar and the Ochoa brothers in jail, the Medellín cartel is undergoing its own version of a succession crisis; a new leadership has not yet clearly emerged. However, the economics of the cocaine business—specifically the risks and costs inherent to cocaine distribution—presuppose a fairly high degree of centralization. Most medium and small suppliers will prefer to ship their cocaine through established marketing networks rather than developing such networks on their own.

Cocaine trafficking requires a range of specialized personnel, including buyers of paste or base, chemists, chemical engineers (some modern cocaine laboratories are equipped with their own chemical recycling plants), pilots, communication specialists, money launderers, accountants, lawyers, security guards, and professional assassins. The large and vertically integrated organizations—such as those of Escobar, the Ochoas, and Rodríguez Orejuela—maintain a full complement of such personnel. At the U.S. end, these organizations operate extensive sales networks; for example, the Cali

families reportedly maintain 10-12 wholesaling cells in New York City, each comprising 15-20 salaried employees who earn anywhere from $2,000 to $20,000 per month.[8] Some emerging evidence documents professionalism in the syndicate's operations. Although the leading Medellín and Cali traffickers conform somewhat to the "Miami Vice" stereotype of Colombian drug lords, the traffickers can and do hire high-power legal and managerial talent. Several former members of the Colombian Supreme Court and a former attorney general reputedly have served on the Ochoa family's payroll. A former money launderer for the Medellín cartel, Ramon Milian Rodríguez, testified before a Senate committee that all of the members of the cartel's management team hold advanced degrees in their specialty.[9]

The Medellín-Cali syndicates have a well-deserved reputation for violence. With a gross income of more than $8 billion a year, traffickers can easily afford to stockpile large arsenals of automatic weapons (such as AK 47s, Uzis, AR-15 and Galil rifles, and M-16 machine guns), grenades, rocket launchers, and ground-to-ground missiles. They also may have purchased ground-to-air missiles, but there is no evidence that those missiles have been deployed. (In April 1990, Colombians allegedly working for the Medellín cartel tried to buy 120 Stinger anti-aircraft missiles and other U.S. military hardware in Florida, but were foiled by the FBI and Florida police.[10]) The Medellín mafia, at least until recently, ran several training schools for paramilitary operatives—essentially for drug traffickers' private armies—in the Middle Magdalena Valley. Former Israeli Army and British Strategic Air Services (SAS) personnel were hired as instructors, and courses covered topics such as camouflage, self-defense, weapons, intelligence and counterintelligence, and communications.

The syndicates, especially the Medellín mafia, also support standing bands of trained contract assassins, including the Medellín groups "Los Quesitos" and "Los Priscos," recruited by Pablo Escobar. The Medellín cartel reportedly has 3,000 hired killers on the payroll.[11] Some are unemployed teenagers or sub-teenagers from Medellín's poorest neighborhoods; others are former FARC, ELN, or April 19th Movement (M-19) guerrillas who have deserted or retired from those organizations.[12] Outside talent can be enlisted for specific acts of violence. For example, the 1,100-pound bomb that exploded in front of the Colombian Department of Administrative Security (DAS) building in Bogotá in early December 1989,

killing 63 people, apparently was fabricated by a Spanish terrorist who was a member of the "Basque Fatherland and Liberty" group.[13]

The syndicates also incorporate the most modern forms of air transportation and the best state-of-the-art communication networks that money can buy (including, for example, satellite radios). Traffickers possess encryption devices and voice-privacy mechanisms and, according to all reports, regularly intercept messages from—and even use for their own purposes—the Colombian government's communication system. Retired Colombian Army General Paul Gorman observed:

> The Colombian Armed Forces are well aware that the narcotraficantes can track the movements of Colombian armed forces and aircraft better than their respective commanders, know more surely where they are and where they are going.[14]

Colombia's cocaine establishment is not monolithic. Although the early 1980s constituted a period of relative cooperation among the major cocaine bosses, significant disputes began emerging in the mid- and late 1980s. These disputes focused on issues such as political ideology, economic competition (turf wars), and differences in operating philosophy. For example, a radical-conservative split occurred between Carlos Lender (a violently anti-establishment trafficker) and his colleagues in the Medellín cartel. A more important dispute between the Medellín and Cali coalitions arose largely from economic factors, but also reflected differences in tactics—the Cali syndicate always preferred a lower profile than the Medellín syndicate and consequently maintained smoother relations with the Colombian government. The authorities have responded by not persecuting the Cali drug lords—by "defending the interests of certain citizens of the Valle de Cauca," as one Medellín cartel communique put it.[15] Persistent rumors suggest that the Cali traffickers gave the Colombian national police intelligence information on Pablo Escobar. (In December 1990, Escobar accused a Cali kingpin of being an informer and a hypocrite.)[16] However, the most significant division in the Colombian cocaine establishment may lie between those traffickers who are addicted to political violence (roughly the Rodríguez Gacha-Escobar wing of the Medellín coalition) and traffickers—including some Medellín Extraditables—who favor a more conciliatory approach toward the authorities.

Overall, the Medellín and Cali trafficking syndicates apparently wield immense financial, organizational, and military-logistical resources. Furthermore, they represent a difficult target for law enforcement agencies. The cartels are relatively decentralized and amorphous, not bureaucracies in the Weberian sense, but rather coalitions or confederations with fluid boundaries. No single heart or head drives these syndicates. Within the major trafficking organizations that compose the coalitions, it is difficult to determine how trafficking functions are coordinated and what arrangements are made to enforce compliance among salaried employees and associates. If these organizations behaved like corporations, their activities would be structured roughly along the lines depicted in Figure 1. In reality, these activities are dispersed among many trafficking groups that seemingly are held together through an intricate system of contractors, subcontractors, codes of honor, and family bonds.

Key figures in the trafficking groups that compose these coalitions "traditionally are close relations, childhood friends, or neighbors from hometowns in Colombia."[17] (For instance, brothers and cousins constitute the leadership cores of the Escobar, Ochoa, and Rodríguez Orejuela organizations.) Consequently, DEA and the Colombian police find it difficult to infiltrate these organizations. Moreover, even the elimination of a prominent trafficker is unlikely to have a sustained effect on the syndicates' cocaine exports. For instance, Rodríguez Gacha's smuggling and distribution networks, which were built up over a period of 10 or more years, probably survived his death—they were managed by the trafficker's immediate associates or absorbed by the Escobar or Ochoa organizations.

In addition, the Medellín and Cali syndicates exercise substantial influence in Colombian society. Part of this power undoubtedly stems from the

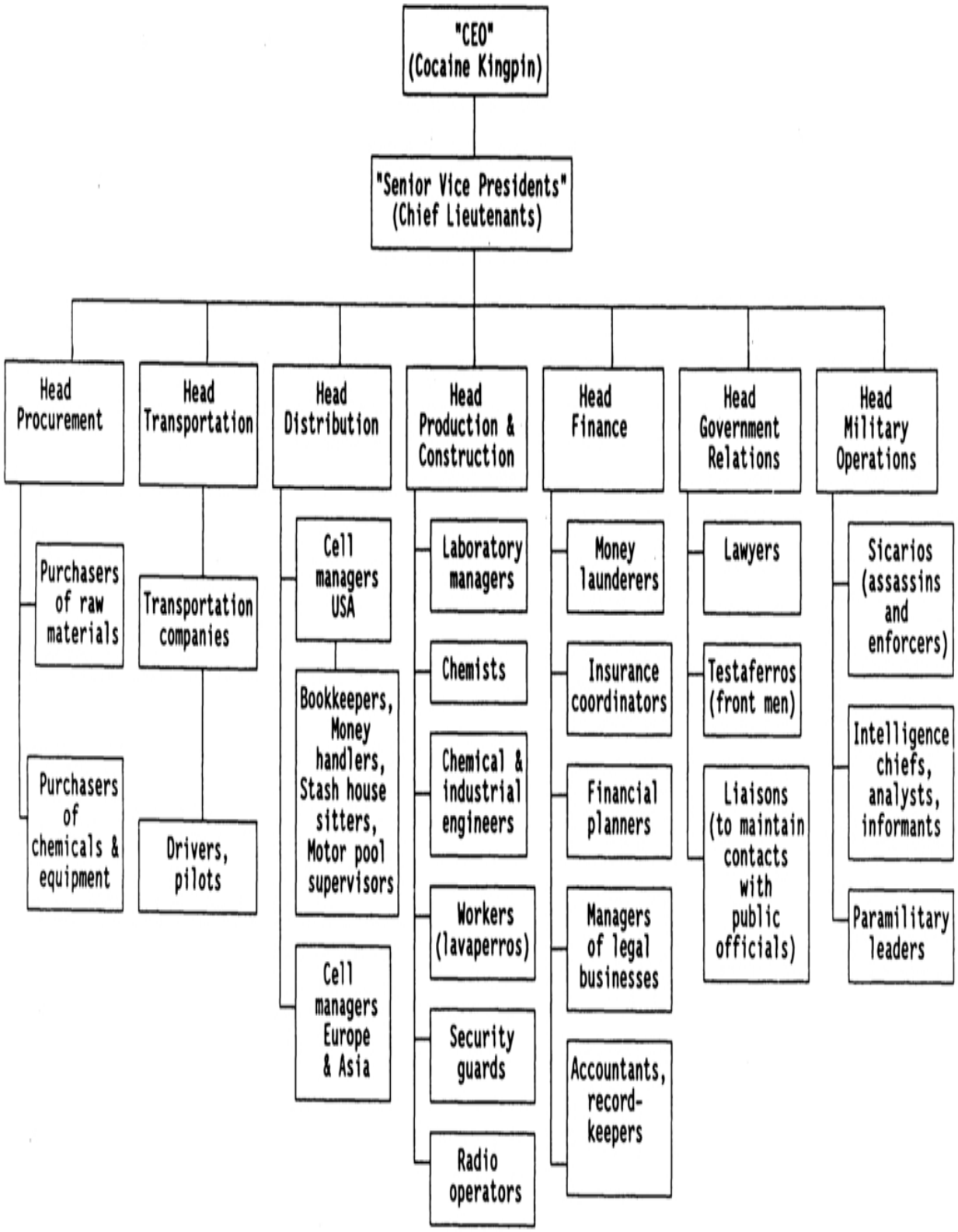

Figure 1
The Cocaine Trafficking Organization as Corporation

syndicates' capacity for violence. According to a high-ranking DEA official, Medellín and Cali traffickers have been responsible for more than 4,000 murders in Colombia. The victims include hundreds of law enforcement officials, more than 50 judges, and numerous prominent politicians, journalists, and government officials. The DEA source notes that traffickers have "stymied DEA's efforts in Bogotá by threatening any police officer that cooperates with DEA and by killing any informant that can be identified."[18] The syndicates, however, do not rely only on violence or the threat of violence to pursue their aims. For example, traffickers invest widely in the Colombian economy; purchase vast extensions of land; bribe or coopt government officials, politicians, and judges; and donate vast sums of money to civic causes and the poor. The drug lords' dual personalities—operating both outside and inside the Colombian system—make them a particularly powerful and elusive enemy.

The Cocaine Industry as Interest Group

Both Medellín and Cali traffickers participate significantly in Colombian economic and political life. In effect, the cocaine industry constitutes an influential if illegal interest group, one that produces widespread multiplier effects and generates visible and invisible constituencies. Colombia's war against drugs resembles a peculiar form of civil war in which the "South" not only occupies territory and maintains its own armed forces, but also controls part of the government, economy, and military institutions of the "North."

What are the dimensions and components of the drug traffickers' influence in Colombian society? First, traffickers exert some influence over the Colombian economy, probably repatriating at least $1 billion in cash and monetary instruments to Colombia each year.[19] In the 1980s, traffickers invested their earnings in a variety of economic sectors, including agribusiness (for example, rice mills), banking, media, photoprocessing, pharmaceuticals, sports, tourism, small-scale mining (emeralds and possibly coal), and construction. (The pace of narco-investment slowed after mid-1989 because of the manhunts and property seizures associated with the crackdown on the Medellín cartel.[20]

Probably cocaine's most dramatic inroads came in the legal agricultural sector. In the past decade, for economic or strategic reasons, Colombian drug lords bought an estimated 1 million hectares of land—or roughly 0.87 percent of the total land area of Colombia—which represents an estimated 4.0 to 4.5 percent of Columbia's total productive (cultivatable and pastoral) land. Some of these estates housed cocaine laboratories, and some were merely show farms; however, the traffickers sometimes took their new role as landed gentry seriously, bringing electricity to remote regions of the countryside, modernizing stables and other livestock facilities, importing new strains of cattle, and introducing new breeding techniques and feeding systems. Just as important, during the 1980s, the capos' private armies brought a measure of security to guerrilla-infested regions such as Cordoba, Uraba, and the Middle Magdalena Valley, concomitantly boosting cattle production and commercial agriculture.[21]

Second, cocaine traffickers have penetrated the power structure at all levels. Cocaine money finances extensive protection and intelligence networks, including accomplices and informants in key national institutions such as the military, the various police forces, the court system, the government bureaucracy, the legislature, the church, the news media, and the national telephone system. Corrupt officials in key government ministries (Justice, Foreign Affairs, Defense, Government) furnish the cocaine lords with strategic intelligence on major anti-drug plans and initiatives. On an operational level, traffickers pay the military and police to overlook cocaine refineries and drug smuggling. Informants supply advance information on exact plans for raids, checkpoints, and attacks on traffickers' bastions. The financial inducements to cooperate with the drug lords are enormous by Colombian standards: For instance, a police private on the trafficker's payroll may receive $255 a month and a police captain $5,000; the official monthly salaries earned in thesen ranks are, respectively, $128 and $180.[22]

Third, cocaine lords function as power brokers, tunneling large sums of money to the major political parties and electoral campaigns. In Colombia, where political campaigns are not funded from the state treasury, drug money represents an important underpinning for the entire democratic process. One Colombian senator from Antioquia, Ivan Marulanda, estimates that 40 percent of the legislators in the Colombian Congress have accepted contributions for their political campaigns from drug dealers.[23] Traffickers contribute indiscriminately to aspiring politicians—often through front

organizations—to hedge their bets. Pablo Escobar and Gonzalo Rodríguez Gacha, for example, contributed money to both candidates in the 1982 Colombian presidential campaign. The influence of cocaine traffickers on Colombia's political system has long been a concern of that country's reformist politicians, such as the recently assassinated Luis Carlos Galan, and now constitutes a target of U.S. anti-drug policy as well. The United States reportedly has blacklisted approximately 25 Colombian congressmen, forbidding their entry into this country, because of alleged links to drug dealers. The list reputedly contains five senators, including Alberto Santofimio Botero, a Liberal Party candidate for president.[24]

Fourth, drug lords in Colombia, like their counterparts elsewhere, have generated political support in the general populace by underwriting the cost of public works and social services that benefit poor communities. Pablo Escobar, for example, built between 450 and 500 two-bedroom cement-block houses in a Medellín slum now rechristened as the Barrio Pablo Escobar. Escobar reportedly has constructed more public housing in Medellín than the government has. Escobar also financed many other Medellín projects, including sewer repair, educational facilities, clinics, and sports plazas. Similarly, Gonzalo Rodríguez Gacha donated an outdoor basketball court to his native town of Pacho, Cundinamarca; repaired the facade of Pacha's town hall; and showered money on the town's residents (reputedly giving away as much as $7,500 a day during 1989).[25] Although the cost of such projects represented a tiny fraction of all cocaine resources—the personal fortunes of Rodríguez Gacha and Escobar totaled well in excess of $1 billion—rewards in terms of status and good will have been incalculable.

Relations with Guerrillas

General Axioms[26]

Perhaps because of the cocaine industry's multi-front challenges to the Colombian government's authority, Washington expressed concern about a connection between the cocaine industry and Marxist guerrilla groups. Indeed, the Reagan administration analyzed the drug problem within the framework of the East-West conflict. Administration officials spoke publicly and privately about a "deadly connection" and an "unholy alliance" between cocaine kings and guerrillas. A 1985 U.S. government report on Soviet influence in Latin America warned of an "alliance between drug smugglers and arms dealers in support of terrorists and guerrillas."[27] The idea of a narco-guerrilla alliance still plays very well in Washington, Bogotá, and Lima. In general, governments find it expedient to depict cocaine traffickers as hostile to the political order—working outside of the system—and the narco-guerrilla label serves that purpose admirably.

The label, however, does not stick very well to the Colombian cocaine cartels. The cocaine elites in Medellín and Cali basically constitute a conservative political force. Their values reflect (in an exaggerated form) those of the establishment that they emulate. As landowners, ranchers, and businessmen, traffickers are far more closely aligned with the traditional power structure than with the revolutionary left. Indeed, the cocaine mafia is strategically at odds with Colombia's insurgent movements. Guerrillas increase the cocaine industry's overhead costs, because traffickers must either pay protection money (war taxes) to guerrillas or make large outlays to guard their drug shipments, laboratories, supply routes, clandestine airfields, and exports. The Colombian cocaine leadership—which invests much of its new-found wealth in farms, ranches, and landed estates in Colombia's relatively unprotected hinterland—is vulnerable to extortion by the FARC and other guerrilla predators. Consequently, Colombia's large cocaine syndicates have emerged as determined foes of the Marxist revolutionary movements. Colombian traffickers sit on the cutting edge of the dirty war being waged between the property-owning classes and the revolutionary leftist groups—a struggle that may have substantial implications for the future evolution of Colombia's political system.

Significant emphasis has been placed on the financial nexus between the cocaine trade and insurgent groups. Substantial documentation supports the contention that FARC guerrillas tax and in certain cases directly manage coca cultivation and cocaine processing facilities (the majority of such laboratories produce cocaine base rather than cocaine hydrochloride). Yet, the Medellín-Cali syndicates—which obtain most of their crude cocaine from Bolivia and Peru and which account for most of Colombia's refined cocaine production—probably maintain few ties with the FARC. Most cocaine hydrochloride laboratories in Colombia are not protected (i.e., taxed) by the guerrillas. Many are located deep in the Amazon jungles along the Peru-Colombia-Brazil border, where virtually no guerrillas can be detected. Many other laboratories are located in regions such as the Middle Magdalena Valley, where traffickers hold a preponderance of power. To put the point somewhat differently, if Colombia halted coca cultivation tomorrow, the FARC's financial base would shrink considerably, and some independent cocaine operators would go out of business; however, the Medellín and Cali operations would not be greatly affected.

In sum, the narco-guerrilia connection has been exaggerated in Washington and in South American capitals. This is not to say that the connection is nonexistent, but it does depend on three determining factors.

First, the strength of the relationship is inversely proportional to a(1) the economic, logistical, and military resources of the trafficking networks and (2) the strength of cooperative links among their members. The organizations based in Medellín and Cali, for example, have demonstrated their capabilities for joint actions, albeit primarily on an intra-city basis. Medellín and Cali have the wherewithal to defend most of their laboratories, supply routes, and cocaine shipments against predatory guerrilla groups. They maintain close ties with the power structure in some regions and can buy additional protection as necessary from local army units. Finally, the cartels' leaders and probably many of their members share the values of the property-owning classes and consequently detest the guerrillas on ideological grounds.

Colombian syndicates are archetypical mature criminal organizations. The structure of the Colombian cocaine industry differs from that of Peru, the other major cocaine-producing country with a guerrilla problem. Peruvian trafficking groups are relatively weak, disorganized, and dependent on Colombian groups for leadership, technical advice, and armed support. Peru

harbors no self-conscious bourgeois narco-class comparable to that in Colombia or Bolivia. Cocaine traffickers have not yet developed a common anti-leftist agenda, nor have they established a close alliance with the propertied classes and the military. Considerable evidence documents turf disputes between Peruvian (and Colombian) traffickers and the Sendero Luminoso (Shining Path) guerrillas. However, Sendero has made inroads into the cocaine paste and base industry in the Upper Huallaga Valley by exploiting both conflicts between Peruvian traffickers and their sense of nationalism (i.e., their hostility toward the Colombian buyers). The trafficker-Sendero balance of power in the Upper Huallaga Valley now favors Sendero, which reportedly collects an estimated $20 million to $30 million each year by taxing the cocaine trade, largely shipments rather than laboratories. Buyers for the Colombian cartels have negotiated prices for coca paste and cocaine base directly with guerrilla representatives.[28] The significance of such payments must be viewed in context, however: Traffickers sometimes pay off local military commanders, the anti-narcotics police, and Sendero for the same planeloads of cocaine leaving the Valley. A source at the Institute of Liberty and Democracy in Lima reports that for one shipment of cocaine flown out of the Uchiza municipal airport in late 1991, traffickers paid bribes totaling $13,800: $1,200 to the police guard at the airports, $3,000 to the local military command, $2,800 to the town of Uchiza (for civic improvements), $4,800 to the Peruvian anti-narcotics police at Santa Lucia (a nearby staging area for interdiction missions), and $2,000 to Sendero Luminoso.[29]

A second and related axiom holds that the narco-guerrilla nexus is much stronger in the upstream phases of the industry (cultivation and low-level processing) than in the downstream phases (refining and distribution). Guerrillas in both Colombia and Peru provide political guidance and armed protection for coca-growing peasants who must contend with government eradication programs and exploitation by drug dealers. In Peru, for example, Sendero has established a floor price for coca leaves in the areas that it dominates politically and militarily.

In Colombia, the FARC administered vast coca cultivation zones in several Colombian departments—Meta, Vichada, Vaupes, Guaviare, Caqueta, Putumayo, and Magdalena. The FARC probably controls or at least taxes most of the cocaine-base laboratories in these zones.[30] However, the FARC's presence in Colombian production of refined cocaine and export

operations is still small; as already noted, the structure of the industry is dominated by two major coalitions that have little use for insurgents, and most hydrochloride laboratories do not seem top be located in FARC strongholds. Moreover, guerrillas tend to perceive traffickers, even low-level cocaine processors, as ideological enemies, as part of the bourgeois class (of course, this view does not preclude periodic opportunistic cooperation). For instance, some Peruvian traffickers have cut deals with Sendero, providing money to the guerrillas in return for the exclusive right to operate in a particular territory. However, the ideological split also precipitates conflicts, because traffickers resent paying extortion money to guerrillas and high prices to peasants for coca leaves.

The relationship between guerrillas and the cocaine industry obviously is complex, but a deep and murderous hostility undoubtedly exists between the primary refining-exporting coalitions and the Colombian revolutionary left.

From a strategic standpoint, no clearer evidence of narco-guerrilla confrontation can be cited than the emerging Colombian paramilitary movement, which serves as an instrument for combatting guerrilla influence in certain regions of the country. The paramilitary movement also offers cocaine traffickers a vehicle for acquiring a modicum of social legitimacy. By supporting such paramilitary activities, cocaine dealers have cemented their ties with established groups in Colombian society, especially with the land-owning classes and right-wing military factions.

Armed self-defense organizations have operated in Colombia for some time, seeking to protect local communities against extortion, kidnapping, and other guerrilla practices. However, the self-defense movement suffered from a lack of equipment, training, and resources, so local landlords often had no alternative but to pay taxes to guerrillas.

Yet, this situation apparently changed to some degree, as Colombian cocaine barons invested some of their profits in acquiring vast tracts of land in the countryside—reportedly at least one million hectares of land in the past 5 years in Cordoba, Antioquia, Meta, and other Colombian departments. Many of the recently purchased tracts of land lie in *zonas rojas*—areas where predatory guerrillas maintain a strong presence. Traffickers' *fincas*, ranches, and farms may house cocaine laboratories or may be purely legitimate operations; regardless, the new landed narco-gentry has found itself on the cutting edge of Colombia's guerrilla conflict.

This historically significant process has precipitated the revival and overhaul of the local self-defense forces or has created such forces where none previously existed. Cocaine barons or their representatives assumed the leadership of, and most of the financial responsibility for, such forces. Giving the devil his due, the narco-backed self-defense movement has been instrumental in dislodging communist guerrillas from certain regions of Colombia. As one Colombian official put it, "The truth is, where there are paramilitary with money from narcotrafficking, there are no guerrillas. The paramilitary forces are well-trained, well-paid, and bloodthirsty, and the guerrillas respect that."[31] Perhaps the clearest success story is the Puerto Boyacá, Puerto Triunfo, and Puerto Berrío region of the Middle Magdalena Valley, where the FARC maintained a strong presence in the early 1980s. The region has been progressively sanitized by paramilitary squads, with the tacit or active support of local landowners, politicians, businessmen, and military commanders. As a clandestine broadcast of Radio Patria Libra (a guerrilla radio station) plaintively noted in November 1988, "The narco-military republic of the Middle Magdalena region has control over the mayor's offices in nine municipalities and covers more than 20,000 square kilometers, equal in size to the Guajira department."[32]

As the preceding discussion suggests, the cocaine industry has penetrated Colombian society on many levels, producing benefits of various kinds for a significant number of Colombians. To deliver a single mortal blow, a *gran golpe*, to the industry is probably next to impossible under the circumstances. Yet, although Colombia's cocaine multinationals possess formidable strengths, they are not indestructible; moreover, strategies can be fashioned that exploit the weaknesses of these organizations. Such strategies, however, will need to be more flexible and more sophisticated than those employed in Colombia in the past. A successful anti-cocaine strategy in the Colombian context will have to include elements of bargaining and diplomacy—elements that depart significantly from traditional U.S. concepts of drug law enforcement. The possible benefits of employing political approaches to fight the drug lords—and the possible risks associated with such approaches—will be assessed in the following section.

Making the Most of Colombia’s Drug Negotiations

Anti-drug strategies in Colombia that rely on domestic repression and significant U.S. military and law enforcement assistance have failed in two important ways. They have not substantially disrupted the Colombian cocaine trade: An estimated 500 to 600 tons of refined cocaine are still produced annually in Colombia. And perhaps more important, these strategies have failed politically: They no longer enjoy the support of the Colombian population. Today, because of the violence that is shredding the fabric of their society, most Colombians favor a peaceful resolution of the drug problem. Washington, however, has consistently maintained that a deal with drug traffickers is unacceptable. Nevertheless, such a deal is virtually a fait accompli. Since early 1990, the Colombian government has conducted indirect negotiations with the leaders of the Medellín cartel. In the past year, considerable bargaining by communique has occurred, as the Colombian government and Medellín drug lords relayed their respective positions to the media. The government's peace policy has produced tangible results: Drug-sponsored (narcoterrorist) violence has declined substantially, and four leading Medellín cocaine traffickers—Fabio Ochoa Vasquez, Jorge Luis Ochoa Vasquez, Juan David Ochoa Vasquez, and Pablo Emilio Escobar Gaviria—turned themselves in between December 1990 and June 1991, taking advantage of lenient terms offered by Colombian authorities.

The Costs of the Drug War

The cocaine industry has amassed substantial economic, political, and military clout in the Andean countries—sometimes challenging the authority of governments, sometimes performing quasi -governmental functions in regions where the authority of the state is weak or nonexistent. As a result, the so-called cocaine cartels established in Medellín and Cali represent one of three major power centers in Colombia. Another is the Colombian government, and the third is the approximately 10,000 members of Colombia's two major guerrilla groups, the FARC and the ELN.

But, despite its formidable power, the cocaine industry is not invincible. One choke point is the high level of geographic and organizational concentration of its refining and export operations. The Medellin and Cali coalitions handle 80 percent or more of the cocaine sold on world markets,

but the people essential to the cartels' operations—suppliers, managers, laboratory operators, transporters, money launderers, and the like—probably number no more than 500 to 1,000. Furthermore, most Colombian drug lords, even the Medellín Extraditables, want a comfortable life in Colombia, and many would abandon the cocaine business if given the opportunity. Despite the occasional belligerence of their public statements, the drug lords espouse clear political aims: accommodation with the government, an end to extradition to the United States, and the chance for reintegration into Colombian society. (In contrast, Colombia's Marxist guerrillas seek to overthrow the government and fundamentally change Colombian society.) According to a former Colombian cabinet minister, Joaquin Vallejo Arbelaez, who served as an intermediary between the government and the Medellín cartel, "They have much money, but they are not free men. They are capable of anything, even retirement, provided they can get their freedom."[33]

After the assassination in August 1989 of the Liberal party's presidential candidate, Luis Carlos Galan, the government of Virgilio Barco unleashed a wide-ranging crackdown on the Medellín cartel. The government invoked an emergency decree, which paved the way for the administrative extradition of drug dealers—that is, extradition not authorized by a prior court decision or by a functioning international treaty. (In June 1987, Colombia's Supreme Court had effectively invalidated a 1979 extradition treaty between the United States and Colombia.) Between August 1989 and December 1990, the government sent more than 20 suspected drug traffickers to the United States for prosecution. Another emergency decree enabled the government to confiscate drug traffickers' real estate, aircraft, money, weapons, and other assets. At least $125 million of drug trafficking assets—including 1,800 buildings and country estates, 470 planes, and 600 vehicles—that belonged mostly to the leaders of the Medellín cartel and to their associates were seized under this decree.[34] The government also launched a massive manhunt for Pablo Escobar, Jose Gonzalo Rodríguez Gacha, and other Medellm kingpins. Such hardline policies were backed by almost $200 million in military and law enforcement aid from Washington in FY 1989 and FY 1990 and were initially successful in disrupting the Medellín cartel's trafficking operations. In addition, these policies undoubtedly made a high-level career in cocaine less attractive to many Colombians.

Development in Colombia had important effects on cocaine markets upstream and downstream. Wholesale cocaine prices in the United States increased on the average by approximately 20 percent between 1989 and 1990, and purity levels decreased 8 percent—indicated that less cocaine was being shipped to the United States market. Prices of Andean coca leaf and coca paste plummeted as Colombian buyers reduced their expeditions to Peru and Bolivia. In April-June 1990, prices of leaf in Peru's Upper Huallaga Valley and the Bolivian Chapare were more than 65 percent to 75 percent lower than those in July-September 1989. During 1990, many Bolivian coca farmers voluntarily eradicated their coca fields, receiving cash payments and other incentives from the Bolivian government (ultimately from U.S. economic support funds) to switch to legal cash crops.

Yet, conventional law enforcement strategies could exploit the cocaine industry's vulnerabilities—the concentration of downstream trafficking functions and the bourgeois aspirations of the drug kingpins themselves—only so far. Ultimately, Colombia's war against drugs had a negligible effect on world cocaine markets: By spring 1991, Colombian cocaine exports had almost reached 1989 levels. Correspondingly, coca leaf prices had largely recovered from their 1990 lows, and the wholesale price of cocaine in the United States had fallen to near or below the price when the crackdown began; also, according to the DEA, cocaine purity had increased 7 percent over the average level in 1990.[35]

Clearly, the cocaine industry had regrouped: U.S. and Colombian officials theorize that the Medellín cartel suffered from its clashes with the Colombian authorities and that the door had been opened for the rival Cali coalition and other trafficking groups to capture a larger share of the cocaine business. According to U.S. narcotics experts in Bogotá, Medellín's share of the world cocaine market dropped from 75 percent in mid-1989 to less than 50 percent today. However, the Medellín coalition probably proved resilient enough to rebuild some of the supply and distribution networks that were disrupted during the crackdown, for example, by moving refining capacity to less restrictive neighboring countries, such as Brazil, Ecuador, and Peru.

Also worrisome was the conspicuous failure of the Colombian government to apprehend Pablo Escobar Gaviria. Widely regarded as the top figure in the Medellín cartel, Escobar consistently eluded the authorities, despite a series of encirclement campaigns conducted by thousands of Colombian soldiers, the DAS, and elite police troops. This egregious fiasco,

as well as the failure to capture other major kingpins, suggests that the traffickers had established an extensive informant network in the command and control system of the military and the national police. A former associate-turned-enemy of Escobar remarked sarcastically in April 1991, "They could not capture Pablo Escobar, because half of those who work for the government are protecting him, while the other half are pursuing him."[36] Escobar and other drug kingpins were under considerable pressure from the authorities; ultimately, they reached an accord with the Colombian government in which they surrendered voluntarily in exchange for grants of lenient treatment.

If repressive policies had mixed results from a law enforcement standpoint, their consequences for Colombian society were catastrophic. In a communique issued on August 23, the Extraditables (a collective name adopted by members of the Medellín coalition) declared "a widespread and total war" against the government, the "industrial and political oligarchy," unfriendly journalists, magistrates who extradited drug dealers, and others who "have persecuted use in the past."[37] The mafia's total war strategy relied on broadly-based attacks on the civilian population. During subsequent months, the Extraditables unleashed a wave of bombings, murders, and kidnappings that rocked Colombian society, claiming the lives of more than 1,000 Colombians, including many civilians, and imposed hundreds of millions of dollars in economic losses.

From Colombia's perspective, the drug war was a losing proposition politically, economically, and militarily. A poll in five major cities, published in *Semana* at the end of December 1989, found 58 percent of the respondents in favor of negotiations with traffickers and 64.3 percent in favor of pardons for traffickers if they decided to retire from the drug business. A poll conducted for the Bogoti weekly *Semana* in November 1990 concluded that more than 60 percent of Colombians favor granting amnesty to traffickers and that more than 80 percent were disposed to accept an Extraditable as a cabinet minister, if such steps would bring peace to Colombia.[38]

Also, some Colombians questioned the military wisdom of the crackdown, pointing out that it served to invigorate Colombia's insurgent groups. In 1990, for example, the FARC and the ELN launched major offensives to expand their power bases in the Middle Magdalena Valley, northern Antioquia, the Peru-Ecuador border region, and elsewhere. The deteriorating state of Colombia's internal security was partly explained by

the assignment of roughly 10 percent of Colombia's 117,000-man army to 1,800 narcotraficante buildings and estates, where they performed housekeeping functions such as feeding the animals in Pablo Escobar's zoo.[39] Thousands more undoubtedly were chasing Escobar and his colleagues and guarding people and installations targeted by the narcoterrorists. The government's crackdown also helped the guerrillas by undermining some of the anticommunist paramilitary groups organized and funded by Medellín drug lords. A few paramilitary groups have disbanded, creating a power vacuum of sorts and enabling guerrillas to filter back to their former strongholds.

The Negotiation Option

Considering the limited success of crackdown tactics, and with the August 1990 election of President Cesar Gaviria Trujillo, Bogotá has opted to seek a peaceful settlement of the drug conflict. The government's peace plan, originally announced in early September 1990, did not envision granting drug dealers the same political treatment accorded to guerrilla groups. Colombian law categorizes traffickers and rightist paramilitary groups as ordinary criminals, subject to prosecution and incarceration. Thus, the Gaviria government's aim was to coax the traffickers to surrender, confess their crimes, and serve jail sentences in exchange for legal concessions, such as reduced prison terms and guarantees against extradition to the United States. (The government's willingness to drop extradition proceedings constitutes a major concession. Because of the notoriously porous character of Colombia's criminal justice system, extradition has long been a cornerstone of U.S.-Colombian anti-drug policy.)

Perhaps more significantly, since late last year, the Extraditables have toned down their campaign of anti-state violence. To be sure, there were occasional reminders that the Extraditables were still willing to employ violence as a political tool. (Two grisly examples were the murders in January 1991 of two prominent hostages held by the Extraditables—Diana Turbay, the daughter of a former Colombian president, and Marina Montoya, the sister or a former presidential aide.) Yet, with the surrender of Pablo Escobar on June 19, which followed by hours a vote by the Colombian

Constituent Assembly (a body elected in December 1990 to revise Colombia's constitution) to ban the extradition of Colombian citizens. The Extraditables military raison d'etre seems to have collapsed. On July 3, the group issued a communique saying, "We have decided to dissolve our entire military organization—we will end all action against those whom we consider enemies because of their stance against extradition."[40]

Although the Colombian government now sees a negotiated peace as possibly the only solution to the drug war, the government's current peace plan remains seriously deficient from Washington's standpoint. It does not emphasize inducements to traffickers to withdraw from the cocaine business, to identify their associates and subordinates, and to cooperate in dismantling their organizations. For example, the surrender of the top leaders (indeed, the founding fathers) of the Medellín coalition was no accompanied by the surrender of trafficking assets—such as laboratories, aircraft, records, weapons, money, and names of accomplices—to the Colombian authorities. The Colombian solution therefore may produce little more than a prolonged ceasefire that leaves traffickers' resources, capabilities, and infrastructure more or less intact.

The Traffickers’ Four Offers

On four occasions—in May 1984, September 1988, January 1990, and November 1990—leading Colombian traffickers made formal offers to abandon the narcotics business and relinquish assets used in the industry (such as laboratories, planes, and airstrips) to the Colombian government. In exchange, the traffickers sought concessions from the authorities—for example, revisions in the U.S.-Colombian extradition treaty, an outright end to extradition, and a general amnesty.

The first offer, a written statement addressed directly to President Belisario Betancur, was presented to Colombian Attorney General Carlos Jimenez Gomez in Panama in May 1984. Jimenez met in Panama City's Hotel Soloy with Jorge Ochoa, Pablo Escobar, and Gonzalo Rodríguez Gacha, who purportedly represented 100 of Colombia's top drug mafiosi. (Jimenez, incidentally, has now been engaged by Jorge Luis Ochoa to prepare the latter's legal defense.) At that time, the traffickers were on the

run because of the massive government crackdown mounted after the April 1984 assassination of Rodrigo Lara Bonilla, Colombia's Justice Minister. The document proposed "to eliminate once and forever any drug trafficking in our country" and asked the president to "consider the possibility of our reinstatement in Colombian society in the near future." In the "Suggestions" section of the document, the traffickers requested revisions in the extradition treaty, an exemption for crimes committed before the revision, and the right to appeal extradition decisions to the Colombian Supreme Court.[41]

Nothing ever came of the traffickers' proposal, in part because of the overwhelmingly negative reaction of Colombia's political establishment. Leaders from every political party—liberals, new liberals, and conservatives—almost unanimously expressed open and categorical opposition to a dialogue with drug traffickers. Carlos Holguin Sardi, the conservative president of the Colombian Senate, summarized the view of the majority when he observed, "[Negotiations] where criminal law is concerned . . . would mean the total disintegration of our legal order and institutions."[42]

Furthermore, the U.S. Embassy in Bogotá and the U.S. Department of State were unsympathetic to the idea of negotiations with traffickers. According to the Bogotá newspaper *Semana*, Jimenez Gomez informally communicated the substance of the drug lords' offer to Alexander Watson, then the deputy chief of mission, who replied, "I will send the message [to Washington,] but I see no possibility of an arrangement." Several days later, Jimenez received via the Embassy a State Department telex outlining U.S. objections to the proposal. The Betancur government in effect capitulated to strong domestic and international pressure, and the president announced in July that there never would be "any kind of understanding" between the government and the signers of the Panama memorandum.[43]

In retrospect, the United States and Colombia may have sacrificed an opportunity to strike a major blow against the cocaine industry. The drug lords were offering to shut down trafficking networks that by their estimates had taken 10 years to build. As one U.S. observer, Bruce Bagley, commented, "The intelligence about the industry's structure and money laundering operations would have been extremely useful to both Colombian and U.S. law enforcement in opposing a resurgence." Furthermore, Bagley notes, a deal might have "saved the country from the orgy of terror, corruption, and murder" unleashed by the traffickers over the last 4 years.[44]

Since 1984, Colombia's cocaine industry has become a much more formidable foe—exports have increased at least 300 percent (according to U.S. estimate); earnings have at least doubled; and traffickers have greatly expanded their landholdings, investments, military capabilities, and influence within the bureaucracy. Controlling drug traffic will constitute a much more difficult task today than during the mid-1980s.

The second proposal by the traffickers was drafted in response to a September 1988 speech by President Virgilio Barco, which outlined a peace initiative that seemingly held out the possibility of a government-trafficker accord. The initiative called for "resolving all of the different forms and manifestations of violence, not only those generated by guerrillas."[45] However, the government later denied that this message was directed at the Medellín cartel. For about a year, from mid-September 1988 until Galan's funeral on August 20, 1989, the Colombian government conducted an indirect dialogue with the leaders of the Medellín cartel. German Montoya, the secretary of the presidency, and Joaquin Vallejo Arbelaez, a former cabinet minister who acted as an intermediary for the drug lords, reputedly held 10 meetings during that year to discuss the traffickers' proposals, which had hardened perceptibly since 1984. The traffickers were demanding an end to extradition and a pardon as the quid pro quo for their retirement from drug trafficking.[46]

These talks did not progress very far, partly because of Montoya's insistence that the United States must be a party to any substantive negotiations or peace agreement with the drug dealers. (Apparently, Montoya told Vallejo that the cartel should conduct its own lobbying effort in U.S. power circles.) Montoya may have been stalling his adversaries: While the conversations with Vallejo were proceeding, the Colombian army and police were conducting a highly effective campaign (Operation Primavera) against the Medellín cartel's cocaine infrastructure. That operation destroyed hundreds of cocaine laboratories and netted seizures of more than 30 tons of cocaine hydrochloride and more than 2 million gallons of chemicals—such as ether, acetone, and methyl ethyl ketone—that are essential to manufacturing cocaine.[47] Some Colombian observers believe that the Medellín drug lords arranged the murder of Galan because of what they perceived as the government's insincerity during the Montoya-Vallejo dialogue.

The third and fourth offers from the traffickers came during the bloodiest phase of Colombia's drug war. The government was applying intense pressure on the Medellín mafia, and the traffickers were escalating their campaign of violence against the state. After August, the traffickers began committing acts of terrorism, such as bombings and kidnappings, that were hitherto primarily the province of leftist guerrillas.

The Extraditables delivered both offers to the government after consultations via intermediaries with a group of Colombian political figures, the so-called Los Notables (see Figure 2). Ex-president Alfonso Lopez Michelsen apparently played a leading role in these discussions. In both cases, the Notables, apparently with the government's blessing, were trying to accomplish two tasks: negotiating terms for the Extraditables' surrender and effecting the release of a number of hostages held by the traffickers, among them sons and daughters of prominent Colombian families. Most Colombian observers believe that these hostages were seized to strengthen the traffickers' negotiating position.

In the January 1990 peace initiative, the traffickers announced their acceptance of "the triumph of the state and of the existing legal order" and promised to end drug shipments and turn over their weapons and laboratories in return for unspecified "constitutional and legal guarantees.[48] They declared a unilateral truce (which lasted about 2 months), and released several hostages, including Alvaro Diego Montoya, the son of the president's secretary. In February 1990, just before the Cartagena summit, the traffickers made an additional conciliatory gesture:

Alfonso Lopez Michelsen	Ex-President of the Republic
Misael Pastrana Borrero	Ex-President of the Republic
Julio Cesar Turbay Ayala[1]	Ex-President of the Republic
Monseñor Mario Revollo Bravo	First Archbishop of Colombia
Diego Montaña Cuéllar	Leader, Unión Patriótica

Figure 2
Los Notables[1]Turbay, whose daughter Diana was kidnapped by the Extraditables in August 1990, apparently did not participate in the round of negotiations leading to the Extraditables' offer of November 23.

They handed over to the Colombian authorities three of their most modern cocaine laboratories. The laboratories, located in the Uraba region of Chaco and Antioquia departments, were capable of collectively producing some 20 tons per month (which represents about half of what U.S. sources estimate to be Colombia's actual production in 1989). The Barco administration, however, did not respond favorably to this initiative, although it did suspend extraditions of drug criminals for roughly the period that the traffickers halted their campaign of bombings, kidnappings, and assassinations. The drug peace broke down in late March because of the murder of a leftist presidential candidate and the government's decision to resume extraditions. Narcoterrorism again plagued Colombia for several months. In August and September, the Extraditables kidnapped more members of the Colombian elite, including Diana Turbay, Marina Montoya, and Francisco Santos, the news editor of *El Tiempo*. In October, the Notables once again offered to serve as intermediaries, effectively unofficial negotiators, on behalf of the Colombian government.

The Barco administration may have missed an opportunity to strike a favorable bargain with the traffickers. As Rodrigo Lloreda Caicedo, the Social Conservative candidate for president in 1990, remarked in a *Semana* interview in April of that year:

> The government should have taken advantage of this opportunity to fix the conditions under which it would have been possible to produce the surrender of the authors of the crimes, the dismemberment of the criminal organizations of drug dealers, and the indemnization of victims of terrorism. The government did not do this.[49]

Lloreda's program for the solution of the drug problem in Colombia, outlined in various campaign appearances, included four elements. The first was dropping extradition ("The treaty is too broad and too inflexible and is generally unfair to Colombia," he told the writer in an interview in February 1991). The second was trying drug trafficking, terrorism, and kidnapping cases in military courts; military judges are considered to be better insulated from bribery and intimidation by traffickers than civilian judges. The third

was totally dismembering narcotics organizations and all the elements of the organizations. The fourth was indemnification; the Extraditables should pay compensation to the victims of narcoterrorism.[50]

Lloreda's ideas did not offer enough positive incentives to drag dealers (there was no mention of reduced sentences or pardons for these men). However, he was correct in emphasizing that extradition was a credible threat to the traffickers. In his view, dropping extradition proceedings should be contingent on shutting down the organizations that produce and export cocaine. Unfortunately, when the Gaviria administration later did strike a bargain with the drug lords, this linkage was lost. All that traffickers would need to do to avoid extradition was to turn themselves in and be sentenced to jail for just one crime. As the following discussion shows, the extradition weapon was effectively sheathed well before extradition was finally voted out of existence in June 1991.

In early September 1990, the Gaviria government announced a major new peace initiative. The government gave drug dealers the option of accepting sentences reduced by one-third and guarantees against extradition to the United States on the condition that they surrender to the authorities, confess to all their crimes in Colombia and abroad, and identify criminal assets and proceeds—laboratories and bank balances, for example. These conditions were stipulated in government decree 2047, issued on September 5. If they cooperated in "identifying the other perpetrators of or participants in the confessed crimes" and in revealing "the value of the property reported to judges," their sentences would be cut by an additional one-sixth.[51] Thus, the government signalled its willingness to strike a bargain with the Medellín drug lords.

Just 2 months later, the Extraditables delivered a fourth offer: Approximately 200 to 300 Medellín traffickers would surrender to the authorities and would cease their trafficking and terrorist activities. In return, the traffickers demanded: (1) trial by appropriate Colombian courts (in effect, no extradition to the United States), (2) an end to the requirement that traffickers confess to their crimes and denounce one another, and (3) a special detention center where they could be protected against revenge or reprisals, relying on third parties for protection—the Colombian army or navy, Medellín municipal police, or an international human rights agency.[52] In another communique published just a day later, the Extraditables promised to release their hostages if the government respected their human

rights and the rights of their families. The demands of the Extraditables for special treatment stemmed from a novel legal argument: Drug trafficking and narcoterrorism are collective concerns, similar to political acts such as rebellion, so traffickers cannot be punished as ordinary criminals.[53]

Bogotá's Response

The traffickers' new proposals produced a state of near-euphoria in Colombia. Lopez Michelsen observed in a radio interview, "The country has never been so close to peace." The Colombian Justice Minister declared, "I believe we are at the threshold of a transcendental occurrence that will bring peace to Colombia."[54]

The Colombian government seemed willing to meet the traffickers part way. In a letter published on November 23, the justice minister reassured the traffickers that informing on their colleagues was not a necessary condition for receiving the benefits of decree 2047. More important, the minister declared that traffickers would be spared extradition and would receive reduced sentences merely by confessing to "one of any crimes committed inside or outside the country."[55] (This latter point was later formalized in decree 3030, issued on December 17.) In yet another benevolent gesture, the government announced on January 27, 1991, that its offer of shorter jail terms and immunity from extradition extended until the moment of a drug trafficker's surrender. (The original offer only covered crimes committed before September 5, 1990.) Thus, the government furnished the strongest assurance to date that traffickers who surrendered and confessed could escape extradition, the fate that they most fear.

On December 18, 1990, the government's coaxing strategy landed its first major catch, when Fabio Ochoa turned himself in to a Medelín judge. Ochoa's comment on the day of his surrender testified to the relentless and exhausting pressure on an outlaw executive: "I feel the same happiness entering jail as someone else feels when leaving it—I only wanted to end the nightmare my life had become."[56] Just 18 days later, Jorge Luis Ochoa, the chief executive officer of the family cocaine business, surrendered to the authorities, and on February 16, 1991, Juan David Ochoa, the third member of the cocaine trafficking family, followed his brothers into custody.

Finally, on June 19, Pablo Escobar Gaviria—the reported leader of the Medellín cartel, who is under indictment in Miami, Los Angeles, and Atlanta—also surrendered. He was transported in an Antioquia government helicopter to a prison located on a hill 8,000 feet above his hometown of Envigado, near Medellín. It was reported that funds for the construction of the prison were contributed by Escobar himself—the money was funneled through the Envigado municipal treasury. Also, on a visit to Medellín in late 1991, this writer was told that Escobar had bought the land on which the prison stands several months before his surrender.[57] The conditions of Escobar's incarceration, established after marathon negotiations with the government, were quite favorable to Escobar. The one condition, of course, was that the prison be located in a city where the trafficker enjoys great influence. (Thanks in part to donations from Escobar, Envigado boasts the highest per capita city budget in Colombia and an array of urban services that are incredible even by U.S. standards.[58)] Another condition was that Escobar and his representatives be allowed to screen the guards who would be responsible for internal security in the prison. In fact, the selection will be made by a committee comprising the mayor of Envigado, the regional prosecutor of Antioquia, and the Colombian Director General of Prisons. The director general is Bogotá's representative, but the other two committee members could be possible allies of Escobar.[59]

Escobar described his submission to justice as "essentially an act of peace."[60] A few days before Escobar's surrender, the Extraditables released their last hostages, Francisco Santos and Maruja Pachon (the director of Colombia's National Police Foundation, who was captured the previous November 7). On July 3, as noted above, the Extraditables expressed their intention to disband their military structure.

The Colombian government deserves some credit for its unorthodox tactics in ending narcoterrorism and bringing the narcotraficaxites to justice. Apparently the government's coaxing succeeded where manhunts and dragnets had failed. Yet, these dramatic developments hardly represent a victory in the drug war. The central question is what will happen to the Escobar and Ochoa organizations while their leaders are in jail. The security arrangements at Envigado support the contention that Escobar could easily continue running his illicit business while in custody. In fact, such arrangements may have been designed for precisely that purpose, as many U.S. law enforcement officials believe. But even the definitive retirement of

Escobar and other kingpins would not mean that the trafficking organizations that they managed would stop producing and shipping cocaine —any more than, say, the retirement of the chief executive officers of Apple or IBM would force their companies to stop manufacturing and selling computers.

The Colombian government's new flexible stance vis-a-vis the drug dealers reflected a significant shift in the attitudes of Colombia's political establishment. For instance, Joaquin Vallejo, who represented the Medellín cartel in the 1988-1989 conversations with the government, had once written in a column in *El Tiempo* in May 1984 that "no possible justification" could be cited for a dialogue with traffickers. "Apart from the problems of moral principles," he said, "there remains doubt about whether they [the narcotraficantes] would keep their promises."[61] Similarly, Juan Gomez Martinez, the former mayor of Medellín, wrote as the director of *El Colombiano* in July 1984:

> Colombia is shuddering to learn about the proposal for a dialogue between the lords of vice and the government. This is an insolent, immoral, and destructive proposal. The entire society repudiates the possibility [of such a dialogue.][62]

By late 1989 and early 1990, however, most polls documented that Colombians were increasingly disenchanted with the Barco government's hard-line policies. For example, a consistent two-thirds of all respondents opposed extradition, and Colombians also were increasingly open to the possibility of a negotiated solution to the drug war. In the 1990 presidential elections, Cesar Gaviria apparently was the only candidate who ruled out the option of negotiating with the traffickers, and Gaviria won by a less-than-overwhelming 47.5 percent of the vote. Yet, pressured by overwhelming public sentiment for peace, Gaviria's government later proved willing to sheathe the extradition sword and make further concessions to halt the narcoterrorist violence.

Evaluating the Negotiations Option

From a law enforcement standpoint, the Colombian government's peace plan was a weak legal instrument. For instance, traffickers had to confess to only one crime to receive the benefits of the government's peace offer. A kingpin such as Pablo Escobar might plead guilty to a minor trafficking charge and be sentenced for that crime—thereby avoiding both extradition and, conceivably, a trial for more serious charges, such as masterminding numerous murders and arranging the export of hundreds of tons of cocaine. (Indeed, as of this writing, Escobar has confessed to only a single crime: a 1987 shipment of 200 pounds of cocaine through the Caribbean island of Guadeloupe, where he was sentenced in absentia to 20 years in jail.) Surrendering drug traffickers had very little incentive to turn over assets (such as laboratories or bank accounts) and to furnish information about the inner workings of their narcotics enterprises (such as drug cartel techniques for arranging cocaine shipments, laundering narcodollars, paying off public officials, and planning major acts of violence). The government's peace plan also left vital issues unresolved: the demobilization of the Cali cartel and other trafficking groups, verification of the surrender of trafficking assets, and the repatriation of traffickers' capital to Colombia.

Of course, Bogotá's drug-fighting objectives are not the same as those of Washington: The chief U.S. goal is reducing the flow of Colombian cocaine into North American markets. For Colombia, as President Cesar Gaviria reportedly emphasized, ending narcoterrorism—"the principal threat against our democracy"[63]—constitutes a much higher priority than terminating the drug traffic per se, which Colombia defines as an international problem that will abate only when the consuming countries lower their demand for narcotics. Still, the peace settlement with the Medellín drug kingpins was a major disappointment, especially in the light of traffickers' past offers to the Colombian government.

In Panama in 1984, drug traffickers had tabled proposals to withdraw definitively from the cocaine industry; surrender planes, airstrips, and laboratories; and dismantle the "total infrastructure" of their enterprises. The fear of extradition prompted the traffickers to offer these far-reaching concessions. In February 1990, as noted above, traffickers actually turned over a sophisticated cocaine-refining complex to the Colombian authorities. Two of the architects of the Medellín coalition, Jorge Ochoa and Pablo Escobar (both, incidentally, had met with Lopez Michelsen and Jimenez Gomez in Panama) are in custody, but to date they have not delivered any of

their organizations' assets to the Colombian authorities, nor have they revealed any details about their businesses. Such concessions were not required to avoid extradition under the Gaviria plan, and extradition now has been voted out of existence by the Constituent Assembly. While putting the leaders of the Medellín cartel behind bars wins a victory of sorts for the Colombian government, this achievement will not greatly affect the basic machinery of the Colombian cocaine business. Also, although the Extraditables offer of November 1990 discussed the possible surrender of 200 to 300 members of that group, to date only between 20 and 25 traffickers have actually turned themselves in under the Gaviria decrees.

Paradoxically, the terms of the decrees may have been both too lenient and too harsh. On the one hand, as discussed above, it was too easy for traffickers to avoid extradition. On the other hand, the peace settlement could have been made even more attractive to traffickers in certain respects. Colombia needs a provision in its drug laws that would enable prosecutors or judges of instruction (who issue indictments under the Colombian system) to grant immunity or even pardons in exchange for information about other crimes and criminals. Clearly the government would have to distinguish between pardonables and unpardonables. To permit men at the apex of the cocaine trade—such as Pablo Escobar or Gilberto Rodríguez Orejuela—to go scot free would be a controversial and dangerous political maneuver. On the other hand, the drug lords' lieutenants and other middle managers of the cocaine business might be given the opportunity to escape jail sentences if they cooperate fully with the authorities.

The prosecutors' ability to plea bargain has been a significant weapon in the struggle against organized crime in the United States. The case of Barry Seal, a notorious drug dealer and pilot turned DEA informant, illustrates how leniency in sentencing can be credibly exchanged for vital intelligence, even in U.S. courts. By his own admission, Seal smuggled more than 30 tons of cocaine into the United States in the early 1980s. Nevertheless, in 1984-1985, he helped the DEA secure indictments against the Medellín cartel and a corrupt prime minister, Norman Saunders, of the Turks and Caicos Islands. Seal eventually negotiated a plea bargain with federal prosecutors that enabled him to escape jail. Unfortunately, Seal was murdered in February 1986, apparently by an assassin under contract to the Ochoa family.[64] The Seal case demonstrates that procedures will have to be introduced to protect drug traffickers who choose to become informants. In Colombia as in the

United States, a witness protection program is vital; the U.S. experience with witness protection could furnish helpful guidelines for the Colombian authorities.

The United States historically has been lukewarm or even hostile to the idea of negotiations with South American drug offenders. Such skepticism is to some extent warranted. In Colombia, traffickers have sought recognition of their political status and have usually tended to negotiate as a group with the government—for instance, the Panama meetings cited above. Escobar, Jorge Ochoa, and Gonzalo Rodríguez Gacha claimed to represent the interests of 100 top Colombian narcotraficantes. In subsequent contacts via intermediaries with the Colombian government, Escobar and Rodríguez Gacha claimed to be acting on behalf of "the so-called cartels" of Medellín, Bogotá, and the Caribbean coast.[65] There are political risks associated with collective negotiations with criminal elements (notably, the risk of appearing to legitimize that criminal activity). Moreover, the South American criminal justice systems are notoriously porous. Colombia's past inability to keep major drug kingpins in prison is an obvious case in point. Furthermore, U.S. law makers have to anticipate the reaction at home to deals with South American drug lords, considered by most U.S. citizens to be a particularly loathsome species of criminal. Finally, as already noted, Andean governments view negotiations more as a means of resolving conflicts with the cocaine industry—and consequently reducing societal violence—than as a technique for curbing the cocaine traffic per se. Still. Colombia's experience in bargaining with drug dealers should receive careful consideration in Washington. To be sure, Colombia's narcodialogues have evolved in directions that are not particularly beneficial to U.S. law enforcement interests. Overwhelming popular hostility to the drug war and the weakness of the Colombian criminal justice system contributed to this failure, but part of the responsibility lies in Washington: The United States never took negotiations seriously as a possible narcotics control option and thus never subjected the option to rigorous analysis and never explored ways of turning the Colombian negotiations to U.S. advantage.

Negotiations can extend the reach and effectiveness of conventional law enforcement, but they should not be seen as a miraculous solution to the South American cocaine problem. A "Panama scenario"—a negotiated shutdown of most of Colombia's cocaine business—seems unlikely to recur. The industry's export volume has expanded significantly since 1984, and the

number of refiners, smugglers, distributors, and financial managers has increased correspondingly. The industry also has become more factionalized, illustrated by the deep rift between the main trafficking coalitions in Medellín and Cali. New trafficking groups are emerging in other cities (such as Bogotá and Barranquilla) to challenge the Medellín-Cali dominance of the industry.

Furthermore, destroying cocaine production, even through agreement with traffickers or trafficking groups, is a Sisyphean task. The cocaine industry's technological characteristics signify adaptability and mobility. As Peter Reuter noted, "Cocaine refineries are not like oil refining plants; they need involve no significant capital plant, frequently being constituted instead of very simple equipment located in a primitive shack."[66] A large modern laboratory outfitted with chemical recycling equipment and capable of producing 10 tons of cocaine a month may take as long as 8 months to construct.[67] Yet, smaller refineries may require only a few weeks to put into operation. Still, the systematic use of bargaining approaches (involving exchanges of judicial leniency for information) could elicit valuable intelligence on the cocaine trade. Such intelligence would enhance the ability of the authorities to detect and destroy laboratories, to seize cocaine shipments, and to immobilize other trafficking assets. More important, such intelligence would shed light on the decisionmaking process of the cocaine multinationals—how they procure raw materials and essential chemicals for refining, coordinate shipments, arrange insurance for these shipments, develop smuggling routes, launder money, plan marketing strategy, and protect trafficking operations from the authorities. A February 1990 report by the Office of National Drug Control Policy of the White House observed:

> . . . our principal objective in the supply reduction arena is the dismantling of major drug trafficking organizations. To do so, we must develop a detailed picture of their structure and operations to be certain that we are attacking the heart of a given organization and not just its extremities.[68]

Perhaps traffickers themselves can be induced to supply many of the pieces of the cocaine-trafficking puzzle. Yet, such an eventuality cannot be taken for granted. The United States will have to persuade Andean governments to bargain in earnest with drug dealers and to make lenient treatment contingent on the level of law enforcement cooperation that the

cocaine lords provide. In addition, the conditions for receiving anti-narcotics assistance from the United States must continue to emphasize strengthening criminal justice systems in the Andean countries: credible laws, courts, and police investigations obviously will improve the prospects for using bargaining strategies in the fight against the cocaine multinationals—perhaps the most powerful and dangerous criminal enterprise that the world has even known.

Notes

1. On cultivation, see: U.S. Department of State. International Narcotics Control Strategy Report. Washington, D.C.: U.S. Government Printing Office. March 1, 1991, p. 22.
2. The State Department's Bureau of International Narcotics Matters estimates that potential cocaine production in South America was between 700 tons and 890 tons in 1990. Ibid., p. 10. Subtracting 200 tons, which represents worldwide seizures, from the lower-bound estimate of 700 tons leaves 500 tons, a conservative estimate of South America's net exports of cocaine. Assuming that the cartels produce or handle at least 70 percent of this volume—and assuming that 80 percent of the cartels' product is sold in the United States for $20,000 a kilo and the remaining 20 percent is sold in Europe for $40,000 a kilo—the cartels would gross $8.4 billion from international cocaine sales.
3. Less than 20 percent of this money actually returns to Colombia, according to most U.S. and Colombian estimates.
4. For a discussion of pricing in the cartels, see: U.S. Senate, Permanent Subcommittee on Investigations. Structure of International Drug Cartels. Hearings: Staff Statement. Washington, D.C.: U.S. Government Printing Office. September 12, 1989, p. 14.
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6. Structure of International Drue Cartels, op. cit., p. 19.
7. Ibid., p. 24. Ciro Krauthausen and Luis Fernando Sarmiento. Cocaine and Co. Bogotá: Tercer Mundo. 1991.
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16. "War Between Medelh'n, Cali Bosses Renewed." NOTIMEX, Mexico City. 2326 GMT, December 22, 1990.

17. "Opening Statement of William M. Baker." Structure of International Drug Cartels, op. cit., p. 7.

18. "Statement of David L. Westrate." Structure of International Drug Cartels, op. cit., p. 3.

19. International Narcotics Control Strategy Report, op. cit., p. 359. The report's estimate of repatriated income ranges from $1 billion to $6 billion annually.

20. Interview at the Centra de Estudios Ganaderos in Bogotá. November 1991.

21. Libardo Sarmiento Anzola y Carlos Moreno Ospina. "Narcotráfico y sector agropecuano en Colombia." Economia Colombiano. February-March 1990, pp. 29-37.

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6

Honduras, the Contra Support Networks, and Cocaine: How the U.S. Government Has Augmented America's Drug Crisis

Peter Dale Scott

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The following includes material from The Politics of Cocaine: Drugs, Armies, and the CIA, *by Peter Dale Scott and Jonathan Marshall (Berkeley and Los Angeles: University of California Press, 1991). Some of Jonathan Marshall's research has been incorporated into this paper.*

A study of Washington's connections to the Honduran army and other contra supporters in the illicit drug traffic shows that such gray alliances for covert operations are themselves a major part of this country's drug problem. It is true that the U.S. has arrested contra supporters on drug charges; but, time after time, these drug arrests have come after the U.S. has ceased to promote the contra faction which those arrested had been supporting. The Bush drag strategy did not target the window of drug smuggling opportunity opened by Washington's relations with the corrupt military in Honduras and El Salvador; and it may well have opened new such windows by new gray alliances with the corrupt right-wing forces in the Andean countries of origin.

United States drug strategies have recurringly broken down into "demand-side" and "supply-side" solutions; and these solutions in turn have proposed targeting those who are remote from decision-making in Washington. Chief among these have been the ethnic ghettoes of America's inner cities (the demand-side), and alternatively (the supply-side), peasants who grow opium poppies or coca plants. But experience suggests that the first target for an effective drug strategy should be Washington itself, and specifically its own connections with corrupt, drug-linked right-wing forces in other parts of the world.

For it is true of Washington, as it has been of other world-dominating capitals before it, that governments themselves, and the links they develop with major traffickers, are the key both to the drug-trafficking problem and to its solution. We should visualize the international drug traffic not as a horizontal line between producers and consumers, but as a triangle with governments at the apex, whose civilian and military intelligence agencies recurringly afford *de facto* protection to key drug kingpins beneath them. In the United States as elsewhere, this second vertical dimension (or "connection") of protected drug-trafficking has usually been politically protected, creating windows of opportunity for the import of narcotics literally by the ton.

Since the 1940s these governmental connections have opened up unsupervised shipping and plane communications between the U.S. and

drug-growing areas, and also conferred a *de facto* immunity from prosecution on those drug-traffickers who are part of such a connection. These conditions in turn have created windows of opportunity for drug-smuggling which constitute a major if not primary source of our domestic problem.

We see this by looking at the windows of opportunity afforded to cocaine-smugglers, by Washington's support of the Nicaraguan contra guerrillas in the 1980s. We shall begin with the largest of these windows, the Honduran connection, wherein the top brass of the Honduran army, by their U.S.-sanctioned smuggling of arms to the contras, acquired a virtual license to afford protection to major drug smugglers as well. (In 1987, as the contra effort waned, the U.S. finally cracked down on Honduran Army-protected cocaine, with two seizures totalling 6.7 tons.) This Honduran Connection, during the years of contra support activities, supplied (according to U.S. experts) from 20 to 50 percent of America's cocaine.

It is important however to see the contra drug connections in the context of other drug-related covert operations conducted since the passage of the National Security Act in 1947, which created the legal justification for maintaining such drug connections outside normal Congressional review, and outside the rule of law. The cumulative history of such connections suggests that Washington's overt and covert alliances overseas have been the most significant factor in generating changes in the overall pattern of drug flows into the United States.

One clear example is the so-called herom epidemic of the 1970s, after two decades of CIA collaboration with opium-growing KMT remnant troops in the Burma-Laos-Thailand Golden Triangle, and also with the drug-corrupted right-wing regimes in Thailand, Laos, and Vietnam. After 1975, when the U.S. Laotian connection was broken, opium production in Laos plummeted, from 200 tons in 1975 to 30 tons by 1984, roughly the level of production before the CIA intervened in Laos.[1] As CIA involvement in Southeast Asia waned under the Carter Administration, so did America's heroin epidemic.

The revival of CIA covert operations under Reagan was accompanied by a revival of America's heroin problem, but with a difference. Soon the main Asian source of supply, according to Reagan's own State Department, was no longer the Golden Triangle (where CIA involvement was now low-level) but the Pakistan-Afghani border area, where some of the heroin was being

shipped out in the same Pakistani Army trucks which shipped in covert U.S. aid to the Afghan guerrillas.[2]

In 1979, as this covert connection began, the so-called Golden Crescent was not a major factor in either the U.S. or the world market for heroin, a drug unknown in Pakistan. By 1984, the year in which Vice-President Bush (chief of Reagan's drug war) graced Pakistan with an official visit, this border area was estimated to have supplied 52% of the heroin consumed in the United States, 70% of the high-grade heroin in the world, and 650,000 addicts in Pakistan itself. Yet before 1986 the only high-level heroin bust in Pakistan was made at the insistence of a single Norwegian prosecutor; none were instigated by the seventeen narcotics officers in the U.S. Embassy.[3]

Thus we can see that the explosion of cocaine imports into the U.S. through Central America in the 1980s, as the U.S. consolidated new corrupt drug connections there, is no anomaly. Thanks to the political controversy which erupted about the contras and their drug connections, as explored by Senator Kerry's Senate Subcommittee Report, *Drugs, Law Enforcement and Foreign Policy*, we can document in some detail the origins and dimensions of the contra window of opportunity.

Actually we must look at many such contra windows, in Honduras, in Costa Rica, and in El Salvador. For it will become clear that the scourge of cocaine abetted by the contra operation cannot be restricted, as some have tried to restrict it, to the cocaine moved by the contras themselves.[4] For many more powerful forces proceeded brazenly in their drug operations, hoping that their role in the contra support operation would be considered indispensable by the authorities of the United States. Perhaps the best example is that of the Honduran Army.

The Contras, the U.S., and the Honduran Window of Opportunity

The Kerry Report and its supporting documentation show clearly how U.S. support for the contras, and their corrupt supporters in the Honduran Army, created a major window of opportunity for cocaine smuggling through Honduras. The size of the problem became public knowledge in late

1987, after two single seizures of Honduran cocaine by U.S. customs officials (of 2,268 kilos and 3,629 kilos) totalling over six and a half tons.[5] The second seizure, in Florida, was at that time the largest that had ever been made in the United States.

According to Hayden Gregory, chief counsel for the House Subcommittee on Crime, this four-ton Florida shipment went "right to the doorstep of the Honduran military." He himself flew to Honduras to investigate it, but ran into what congressional aides called obstruction by the U.S. Embassy. DEA experts told reporter Mort Rosenblum that "only a fifth of America's cocaine was passing through Honduran-military hands." But Rosenblum heard from other sources that in the fifteen-month period ending in 1988, "perhaps as much as fifty tons moved through Honduras -- nine tons of which was seized amounting to half the estimated consumption in the United States."[6]

In the wake of the second seizure, the DEA announced in December 1987 that it would reopen its DEA office in the Honduran capital of Tegucigalpa.[7] (The office was eventually reopened in the Spring of 1988, or after the February 1988 Congressional vote which terminated U.S. military aid for the contras).

Honduras had always been one of the principal Central American countries for transshipment of cocaine to the United States.[8] Yet in mid-1983 the DEA abruptly closed its Honduras office, and transferred its agent Tom Zepeda to Guatemala, where "he continued to spend 70% of his time dealing with the Honduran drug problem."[9] The DEA claimed that it closed its office for "budgetary reasons;" but it did so after Zepeda had filed reports accusing Honduran military officers of facilitating drug transshipments to the U.S. In particular Zepeda is said to have claimed that Honduran Col. Leonidas Torres Arias, until April 1982 the chief of Honduran army intelligence (G-2), had been protecting a Honduran trafficker called Juan Ramon Matta Ballesteros.[10] One frustrated DEA officer in on the decision to close the Tegucigalpa office later explained that "The Pentagon made it clear that we were in the way. They had more important business."[11] Just before the closure, the CIA had reportedly blocked a proposal by DEA agents to open a grand jury investigation of drug corruption within the Honduran military.[12]

Both Torres Arias and Matta were at the heart of the contra support apparatus in Honduras, as well as the drug traffic. Torres Arias had been one of the three Hondurans contacted in August 1981 by the CIA's Duane

Clarridge and the vice-chief of Argentine army intelligence (Mario Davico), in the first formal meeting to cement CIA-Argentine support for the infant contra forces.[13] Matta in turn was the cocaine supplier for the Mexican smuggling ring of Miguel Felix Gallardo, considered by the DEA to be "one of the biggest traffickers in the western hemisphere."[14] His airline, SETCO (reportedly established by the CIA), became the principal company transporting supplies and personnel for the contras in Honduras.[15]

It would appear that, to set up and support the contras, the U.S. government had once again bought into the traditional Latin American system whereby military intelligence (notably Argentina's) used drug traffickers as their agents.[16] But Washington's gray alliance with the Honduran drug connection did not just acknowledge a corrupt power arrangement, it also strengthened it. By 1985, when Matta was briefly arrested and detained in Colombia after the DEA implicated him in the murder of U.S. DEA agent Enrique "Kiki" Camarena, *Newsweek* could describe Matta as the "boss of bosses of Mexico's cocaine industry," adding that his "organization, U.S. drug agents say, supplies perhaps one-third of all the cocaine consumed in the United States."[17]

Not even the public furor over the Camarena murder could dissuade Washington from continuing to use Matta's airline SETCO to supply the contras. On the contrary, as Senator Kerry disclosed, SETCO was paid $185,000 in 1986 by NHAO (the Nicaraguan Humanitarian Aid Office of the U.S. State Department), and SETCO was only one of four narcotics-related companies to be so rewarded.[18] As already noted, the reopening of the DEA office in 1988 only occurred after U.S. military support to the contras had been terminated. Immediately thereafter, Matta was kidnapped and extradited to the United States, but only after U.S. drug agents had promised immunity to the corrupt Honduran military officers who had protected him.[19]

Malta's importance in the drag traffic has to be understood in the light of the *de facto* immunity which his contra services conferred on his drug trafficking associates. Time after time U.S. authorities would arrest or detain traffickers caught *flagrante delicto,* only to have their case frustrated by higher-level officials. For example, the Honduran Eugenio Molina Osorio, brother of a SETCO part-owner, was arrested in Lubbock, Texas in January 1987, after selling two kilos of cocaine (worth $90,000) to an undercover agent in a DEA sting. Weeks later his case was dismissed in a closed court

hearing, in which Molina testified how drug shipments cleared Honduras after payoffs to military officials, and also about his own work as a CIA informant.[20]

More directly related to the contras was the case of pilot Frank Moss, whose company Hondu Carib flew supplies to the contras.[21] In 1987 a plane owned by Moss was impounded and searched after dumping into the ocean what appeared to be a load of drugs. DEA seized the plane, but Moss was not arrested, presumably because of his business relationship to Mario Calero, supply officer to the main contra FDN faction, and brother to the CIA-selected contra chief Adolfo Calero. Besides what the Kerry Report calls "significant marijuana residue," the plane yielded up documents showing Mario Calero's ownership interest in Hondu Carib, Mario Calero's arms export license naming the Honduran military as end-users, and a notebook containing the telephone numbers of other contra leaders as well as Robert Owen.[22]

Frank Moss had been under investigation as a drug trafficker since 1979, but never arrested.[23] In May 1983 a Customs investigation of Moss and Hondu Carib had elicited from Moss the information that he would be importing goods from SETCO. The ensuing Customs Report in May 1983 transmitted information from Zepeda's DEA office in Honduras that SETCO "is headed by Juan Ramon Mat[t]a Baliesteros, a Class I DEA violator;" and that Matta was involved in smuggling "in Madrid, Spain; Honduras; Bolivia; Colombia; and the United States." The DEA also told Customs that SETCO "is a corporation formed by American businessmen who are dealing with Mat[t]a and are smuggling narcotics into the United States."[24] A request to the DEA for further information about Matta and "SETO" (i.e., SETCO), was followed a month later, as we have already seen, by the closure of the DEA office in Honduras.[25]

Washington officials continued to protect Honduran contra supporters who were convicted of drug-trafficking, even after the closure of the Tegucigalpa DEA office in 1983. The most celebrated case is that of General Jose Bueso Rosa, former chief of staff of the Honduran army, and as such one of the men with whom Clarridge and Oliver North worked out the arrangements for logistics, training, and other support of the contras.[26]

In October 1984 the FBI seized 345 kilos (763 pounds) of cocaine at a remote air strip in southern Florida. The seizure was part of a sting; and the cocaine was intended to pay for a larger plot leading to the assassination of

Honduras' civilian president, and his replacement by former General Gustavo Alvarez Martinez in a military *coup d'etat.*[27] Of the defendants convicted in the case, two were prominent members of the contra support network: General Bueso Rosa, and the Miami arms trafficker Gerard Latchinian, whose former partner Felix Rodriguez supervised the arms flow to the contra southern front through El Salvador.

The sentencing of General Bueso Rosa led to a major flap inside the U.S. government. At the trial a U.S. general and colonel filed a sealed deposition to urge leniency. According to the Kerry Report, the Justice Department objected, calling the Bueso Rosa conspiracy "the most significant case of narco-terrorism yet discovered."[28] In the midst of this controversy Oliver North reported to Poindexter that Elliott Abrams, Clarridge, and others would "cabal quietly" to prevent Bueso Rosa from serving his assigned sentence, which might lead him to "start spilling the beans." Poindexter replied, "You may advise all concerned that the president will want to be as helpful as possible to settle this matter."[29] As a result, while Latchinian was given a sentence of thirty years, Bueso Rosa (despite the judge's original sentence) was given five years at Eglin Air Force Base, a minimum security "country club" prison.

It would be wrong to think that Honduran corruption ended with the reopening of the DEA office in 1988, and the forced expulsion of Matta to the United States immediately thereafter. Matta's expulsion was apparently arranged by two of Matta's former friends, Army Chief of Staff General Humberto Regalado Hernandez, and police chief Lunati, to prevent their own names and those of other officers from being publicly linked to drug trafficking. According to the *Los Angeles Times,* Reagan administration officials suspected Regalado of protecting Colombian drag traffickers, while (according to one State Department officer) "all of the senior officers have knowledge. . . and they are all reaping the profits."[30] Regalado's own half-brother, a former Honduran army colonel, was held without bond in Miami in May 1988, after 26 pounds of cocaine were found in his baggage.[31]

Everyone can see that the drug problem is aggravated by countries, like Honduras, where kingpins like Matta enjoy protection at the highest levels of government. What is not sufficiently acknowledged is the extent to which this protection can be ultimately traced to government officials, not just in Tegucigalpa, but in Washington. Within the government there appear to have

been individuals who not merely tolerated such gray alliances with drug traffickers, but (to the dismay of other individuals) helped foster them.

Robert Owen, in a memo to Oliver North, wrote of a DC-4 in the contra support operation (perhaps that of Hondu Carib discussed above), "No doubt you know the DC-4 Foley got was used at one time to run drugs, and part of the crew had criminal records. Nice group the Boys choose. The company is also one that Mario has been involved with using in the past, only they had a quick name change."[32] Pat Foley, the President of Summit Aviation (a CIA proprietary firm), was also involved in the selection of yet another company (Vortex) owned and operated by a drug smuggler, to receive humanitarian assistance from the State Department.[33] It is customary to say that U.S. officials have turned a "blind eye" to the drug activities of their allies. But some at least seem to have gone into these arrangements with full 20-20 vision.

Against this skepticism it will be argued that kingpins like Matta have eventually been arrested at Washington's insistence, suggesting that our war on drugs is a genuine one that has, at least on occasion, taken priority over other security and intelligence considerations. It is true that the U.S. has arrested many contra supporters on drug charges; but, time after time, these drug arrests have come after the U.S. has ceased to promote the contra faction which those arrested had been supporting.

The Successive Contra Drug Connections in Costa Rica, 1981-1986

So far we have discussed a CIA-contra-drug connection in Honduras, where State Department funds were allocated, in the name of contra "humanitarian assistance," to an airline with links to both the CIA and the Calero family, and suspected by the DEA of shipping cocaine. If the CIA-drug connection had occurred only in Honduras, it might be written off as a matter of local bureaucratic indiscretion or corruption. But the same syndrome, and with it the same abuse of State Department funds, also recurred more than once, in different ways, with different contra factions in Costa Rica.

Indeed the documentary evidence released by the Kerry Subcommittee suggests that each major faction in the contras had its own cocaine connection, and that the rise of each connection corresponded to each change in the management of the U.S.-contra relationship. The Matta-SETCO-Calero connection, for example, arose in 1983, when the CIA inserted Adolfo Calero into the contra leadership, and took over management of the FDN contras in Honduras from the Argentinean military. It ended in 1988, when Congress terminated military aid to the contras.

In the same way each contra drug connection in Costa Rica arose (and in at least some cases fell) with a political change in the overall direction of the contras:

1) The Sanchez family connection in Costa Rica. This dated back to the 1981-82 era, when the day-to-day direction of the contras was in the hands of the Argentines and their client Aristides Sanchez. It was largely broken up by the San Francisco "Frogman" arrests of February 1983, one month after the CIA installed Adolfo Calero as the new FDN leader.
2) The Noriega-Pastora-UDN/FARN connection through the Fernando "El Negro" Chamorro family,[34] with pilots and operatives coordinated by Noriega's ex-Mossad adviser, Mike Harari, the Panamanian arms dealer Jorge Krupnick, and the Panamanian pilots Cesar Rodriguez and Guy Carlton. This emerged from the old Sanchez network after key members of it were arrested in the U.S. in 1982-83, and flourished in the 1982-84 period when contra oversight was in the hands of CIA officer Duane Clarridge. (At this time Chamorro's leader Eden Pastora was still receiving CIA aid.) This network was broken up after the CIA cut off aid to Pastora in 1984, and especially after the arrest and flight of Fernando Chamorro's lieutenant Sebastian "Guachan" Gonzalez in November 1984.
3) After the CIA break with Pastora in April 1984, the supply network of the Miami-based Colombian Jorge Morales, flying for Pastora's new aides Octaviano Cesar (a CIA agent who joined Pastora in mid-1984) and Adolfo "Popo" Chamorro (Cesar's cousin). Again the source of the cocaine was Panamanian, and the drug transit network used many of the personnel in Costa Rica associated with Cesar Rodriguez and Floyd Carlton. Regular Morales flights began after U.S. government funding

for the contras ran out in May 1984, and the direct oversight of Clarridge was replaced by the indirect, and unfunded, management of Oliver North. Morales was arrested and jailed in 1986, after the contra-drug story had been reported by the Associated Press, and after the funding and supply of the Southern Front had been consolidated by North in the hands of Richard Secord.

4) The Miami-based Cuban-American connection, involving CIA or ex-CIA Cubans: Felipe Vidal, Rene Corvo, Francisco Chanes, Moises Nunez, and the Nunez company Frigorificos de Puntarenas. This connection dated back to 1983, and to John Hull's first efforts to penetrate the forces of Pastora; but it flourished especially after November 1984, when Felipe Vidal replaced "Guachan" Gonzalez as leader of the small M-3 contra faction. In contrast to the Morales connection, it continued to work closely with North, Hull, Robert Owen, and anti-Pastora contras, until North's dismissal in November 1986. In 1988, following exposures of this connection by Senator Kerry and in the press, the Justice Department reluctantly indicted some of its members. These indictments have since all been dropped.

Even those not interested in the intricacies of contra history should look at what these recurring patterns of rise and fall suggest about U.S. drug enforcement. If the four Costa Rica contra connections are looked at cumulatively, it might appear that U.S. arrest and prosecution of the traffickers were fairly continuous, from the Frogman arrests of January 1983 to the arrests of Morales and Carlton in 1986. When analyzed by faction however, such individuals appear to have been arrested only after their U.S. connection and immunity had broken down. One instance is Jorge Morales, whose immunity and freedom to travel (an irritation to regular DEA officers) while under an unrelated indictment, began after one change in Washington's channel to the contras, and ended after another. But he was not alone.

In writing about these factions we have the problem of reconciling unity with diversity, for we face a common milieu in which disparate units were constantly regrouping as well as occasionally conflicting. In particular we shall see the recurring presence in virtually all factions of elements supporting the early UDN/FARN contra faction in Costa Rica. Decapitation of one transit network merely saw the elements regroup in another: a phenomenon which points up the weakness of our present strategy of law enforcement. For the story which follows confirms how swiftly and easily

the vertical contra-drug connection could re-establish itself, following either arrests or political realignments.

The U.S. government did not invent this contra-drug symbiosis, which dates back to the Argentinean era of 1981-82, and indeed reflects much older realities of political power endemic to the area. But there are documentary indications that, starting as far back as 1983, Washington either used or condoned many or all of these different contra drug connections, because they were important to maintaining contra support operations.[35] Though some individual drug traffickers in these connections were prosecuted by U.S. authorities, this has typically happened after the U.S. had ceased to promote those traffickers' particular contra faction.

At a minimum, the U.S. government and the CIA were well aware of the problem. Not only did CIA officer Alan Fiers testify about it, so did General Gorman of the U.S. Army's Southern Command in Panama. North's notebooks and Robert Owen's memos to North both refer to the drug problems, as do other internal documents of the Reagan Administration.[36]

The Sanchez Family UDN/FARN Connection

The Kerry Subcommittee was able to declassify and publish, after enormous Administration resistance, suppressed information tracing a major West Coast cocaine distribution ring back to the brothers of contra leader Aristides Sanchez. It reprinted an FBI teletype about a Costa Rica-based cocaine ring operating until early 1983 in San Francisco, the so-called "Frogman" connection, which the *San Francisco Examiner* in March 1986 had called "a major Bay Area cocaine ring" helping "to finance the contra rebels in Nicaragua."[37] The teletype reveals, as the court records and press accounts did not, that the ring's "sources of supply are Troilo Sanchez, Fernando Sanchez and Horacio Pereira . . . operating out of Costa Rica;" adding that "other sources of supply [include] . . . Alvaro Carvajal Minota in San Francisco."[38] The court records had mentioned only Horacio Pereira, not Troilo and Fernando Sanchez. Given the record of the Justice Department on contra-related cases, one suspects that the omission was for political reasons. Troilo and Fernando Sanchez are relatives, probably the brothers, of Contra leader Aristides Sanchez.[39]

The Frogman network was linked by the Kerry Report to leaders and supporters of the pro-FDN faction of the contras in Costa Rica: the Union Democratica Nicaraguense (UDN), and its fighting arm, the Fuerzas Armadas Revolucionarias de Nicaragua (FARN). The UDN-FARN had allegedly received about $500,000 from the cocaine ring behind the Frogman drug shipment.[40] The UDN-FARN had been founded in 1980 by an anti-Somoza businessman, Jose Francisco Cardenal, but by 1983 the UDN-FARN had split with Cardenal and was now effectively controlled by its military leaders, the brothers Fernando and Edmundo Chamorro (whom we shall deal with below).[41]

One informant, whose life was later threatened, told the Kerry Subcommittee staff that the key figure in the Frogman case, Norwin Meneses Canterero, had escaped arrest after being warned to leave by his sources in U.S. law enforcement. Another source connected to the Kerry investigation has said that Norwin Meneses had escaped arrest because he was "an FBI informant." Published accounts known to the Kerry Subcommittee staff indicated that:

> A Nicaraguari exile now living in Costa Rica, Norwin Meneses-Canterero, has been named by a DEA report as "the apparent head of a criminal organization responsible for smuggling kilogram quantities of cocaine to the United States." He himself admits trafficking in cocaine "for about six months" in 1982; the DEA first suspected him of criminal drug activities back in 1976, when his brother was chief of the Managua police. Meneses, according to former contra members, "helped finance at least four contra functions" in the United States "and sent a truck and video equipment to FDN members in Honduras."[42]

Beyond a doubt Meneses was present at contra fund-raisers in San Francisco, and also had a reputation in the local Nicaraguan community as a drug-trafficker. In addition one of Meneses' employees, Renato Pena Cabrera, the FDN's San Francisco spokesman, was found guilty of cocaine possession in 1985.[43]

(In November 1991 Meneses, who had been a prominent contra supporter in the San Francisco Bay Area, was arrested in Managua in one of

Nicaragua's biggest drug busts: 758 kilos of cocaine were seized. A senior police official called Meneses "the king of cocaine in Nicaragua.")[44]

At the time of the story in the *San Francisco Examiner*, the U.S. Attorney responded, in "outrage," that "there is no evidence to warrant the insinuation the defendants were connected to the contras except their own statements they offered after the fact of arrest."[45] Needless to add, his letter failed to mention the Sanchez brothers (the leading names among the suppliers in the FBI airtel) Norwin Meneses, and news reports linking Horacio Pereira to UDN/FARN leader Edmundo Chamorro. The names were also omitted from a State Department report of July 1986 to Congress on contra drug allegations; that report focussed instead on a source it called "a major Colombian cocaine smuggler, Alvaro Carvajal Minota," suppressing the fact that Carvajal was merely a regional distributor based in San Francisco.[46]

The Kerry Subcommittee reprinted the misleading State Department report, and followed it with the following attempt at bipartisan language:

> The Subcommittee found that the Frogman arrest involved cocaine from a Colombian source, Carvajal-Minota. In addition, Zavala and Cabezas [the arrested men] had a second source of supply, Nicaraguans living in Costa Rica associated with the Contras. FBI documents from the Frogman case identify the Nicaraguans as Horacio Pereira, Troilo Sanchez and Fernando Sanchez. Pereira was convicted on cocaine charges in Costa Rica in 1985 and sentenced to 12 years in prison. An important member of the Pereira organization was Sebastian "Huachan" Gonzalez, who also was associated with ARDE [the contra coalition in Costa Rica] in Southern Front Contra operations. Robert Owen advised North in February 1985, that Gonzalez was trafficking in cocaine . . . During the Pereira trial, evidence was also presented by the Costa Rica prosecutor showing that drug traffickers had asked leader Ermundo Chamorro, the brother of UDN-FARN leader Fernando "El Negro" Chamorro, for assistance with vehicles to transport cocaine and for help with a Costa Rica police official. Troilo and Fernando Sanchez were marginal participants in the contra movement and relatives of a member of the FDN Directorate.[47]

The Report mentions, and reprints, the *San Francisco Examiner's* first story on the case, describing how the U.S. government returned $36,020 seized as drug money, after "one of the defendants, Zavala, . . . submitted letters from Contra leaders claiming the funds were really their property."[48]

Thus the Kerry Report indicated a high-level Contra drug connection, centered on the families of two contra leaders (Sanchez and "El Negro" Chamorro) who dated back to the 1981-82 era of Argentine direction of the contras. This connection appears to have experienced modifications, as the Argentine management was replaced in 1982 by the CIA, and the CIA in 1984 (with the Boland Amendment prohibiting CIA aid) by Oliver North.[49]

Anstides Sanchez was the sole hold-over from the original three-man FDN directorate in 1981-82, when the Reagan Administration used the Argentine military junta as a go-between in the day-to-day handling of the contras. After the Falkland War debacle and the fall of the junta, the CIA, having failed to persuade Israel to stand in for Argentina, assumed that management role itself in 1982. The new CIA men, who "had no use for Sanchez," moved to diminish his importance and that of the Argentines, backing instead the other two FDN leaders (Jose Francisco Cardenal, the original founder of the UDN/FARN, and Mariano Mendoza). But after some persuasive threats (said to have been orchestrated by Bermudez and his death squad specialist, Ricardo Lau) Cardenal and Mendoza soon left Honduras in panic. Only Sanchez and the local Argentines remained.[50]

The CIA's disenchantment with Sanchez was part of a hemispheric disengagement by the Reagan Administration in 1982-83 from its embarrassing alliances with the Argentinean-backed Confederacion Anticomunista Latina (CAL), the regional section of the World Anti-Communist League. The Argentinians had mounted a continental WACL-CAL strategy of right-wing hegemony, based on drug alliances. The most noted example was the 1980 "Cocaine coup" of Luis Garcia Meza in Bolivia, but there was also Argentinean and drug money support for the new ARENA party of Roberto d'Aubuisson in El Salvador.[51]

WACL connections played a key role in putting together the core contra group in 1980 which later became the FDN of Bermudez and Sanchez. In 1980 the Guatemala WACL chief, Mario Sandoval Alarcon, housed near his own home both Salvadorans and Nicaraguans, including both future ARENA chief Col. Roberto d'Aubuisson and the core of Bermudez' September 15 Legion, which was in 1981 enlarged into the FDN.[52]

Bermudez' original financier in early 1980 was Somoza's cousin Luis Pallais Debayle, a WACL activist.[53] His two original American backers were Nat Hamrick and John Carbaugh, two WACL-linked aides of Senator Helms who also arranged for delegates of the Argentine junta to attend Reagan's nominating convention, and then in March 1981 the Reagan White House.[54]

Meanwhile Guatemala WACL chief Mario Sandoval Alarcon (an old CIA asset, and the so-called "Godfather" to all the death squads of Central America, including d'Aubuisson's) attended the 1981 Reagan Inaugural, and told the U.S. journalists that he expected the new Reagan Administration to honor "verbal agreements" which he had reached with campaign officials.[55]

In Costa Rica the Argentinean officer organizing the first contra Southern Front had established contact with the head of the local chapter of the World Anti-Communist League (WACL), the political vehicle of the Argentine cocaine alliance in Latin America.[56] In 1980 another Argentinean, working with contras under the protection of Guatemala WACL chief Mario Sandoval Alarcon, had made an early raid against a left-wing radio station in Costa Rica; the raiders had used a base camp on the ranch of an American, John Hull. Hull (whose ranch would be later linked to contra arms-for-drugs flights) and his neighbor, Bruce Jones, had connections both to the local WACL Chapter, the Free Costa Rica Movement (MCRL), and also to the local CIA station.[57] UDN/FARN leader Fernando "El Negro" Chamorro allegedly had weapons ties to the MCRL, as well as funds from their Argentine backers.

But after the Falkland Islands fiasco, the spell of the Reagan-WACL-CAL romance was broken. Garcia Meza in Bolivia and d'Aubuisson in El Salvador both lost power after the fall of the Argentine junta in 1982. In Guatemala, a briefly successful coup in 1982 by Sandoval and his junior ally, Leonel Sisniega, was quickly frustrated by a U.S.-backed military counter-coup.[58] U.S. narcotics law enforcement helped to defang these remnants of the old Argentine connection. D'Aubuisson's decline from favor with the Reagan Administration followed the temporary seizure of a plane in Texas belonging to one of his financial backers, which carried a cargo of $5.9 million in cash.[59] After Garcia Meza's ouster from Bolivia (under U.S. pressure) in 1982, his former Minister of the Interior and cocaine connection, Luis Arce Gomez (a cousin of Bolivian drug kingpin Roberto

Suarez Gomez) was indicted on drug charges in Miami in 1983, and subsequently arrested in Argentina.[60]

Aristides Sanchez, in Honduras, survived (and was, in November 1989, the lone civilian survivor in the last contra military junta).[61] But a spate of drug arrests in the United States between December 1982 and February 1983 wound up the Sanchez family Frogman connection.[62]

The "El Negro" Chamorro Family UDN/FARN Connection to Noriega in Panama

These arrests left unscathed the UDN/FARN contras in Costa Rica under Fernando "El Negro" Chamorro, his brother Edmundo, and their ally Sebastian "Guaehan". "Guachan" was part of the old international Tercerista (non-Communist left) coalition that had backed Eden Pastora against Somoza, and again against the contras. The Terceristas had been supported by Panamanian leaders Omar Torrijos and Manuel Noriega, and headed by the Panamanian Hugo Spadafora. Guns for this 1978 operation were obtained in Miami from "what Pastora called la cosa nostra," and were paid for by money channeled through the Panamanian branch of the drug-financed World Finance Corporation, owned by the ex-CIA Cuban Guillermo Hernandez Cartaya.[63] A member of the old Frogman-Horacio Pereira drug trafficking network, Sebastian "Guachan" Gonzalez, was arrested on cocaine charges in Costa Rica in 1984, and then mysteriously released. He soon escaped to Panama where he worked for Panamanian President del Valle, and also for Col. Noriega, an old personal friend.[64]

Between the arrest of Pereira in 1982 and that of "Guachan" Gonzalez in 1984, cocaine was flown to Costa Rica from Panama, thanks to a number of Panamanian pilots, such as Cesar Rodriguez, his partner Floyd Carlton (who was Noriega's personal pilot), and Teofilo Watson, all of whom as in 1979 flew support for Eden Pastora. An authoritative witness confirmed to Senator Kerry that "where drugs were used, the money, the proceeds, was used to support the Contras through Mr. ['Guachan'] Gonzalez." The witness was Jose Blandon, Noriega's former Consul-General in New York, and

before that the close political adviser of Noriega's predecessor Omar Torrijos, under whom the drug flights and Pastora support flights began.[65]

Blandon described the Cesar Rodriguez-Floyd Carlton gunrunning operation as being much closer to Noriega than to Torrijos; he testified that Noriega's support for the two pilots led to an investigation of Noriega by Torrijos, shortly before the latter was killed in a plane crash.[66] Blandon also testified that a network under former Israel MOSSAD agent Mike Harari, an adviser to first Torrijos and then Noriega, supplied arms via "Israeli citizens, Panamanians, and United States citizens" to the contras, from 1982 to 1986. The Kerry Report apparently identifies the Harari network with the Rodriguez network, but a closer reading suggests that Rodriguez worked with two Panamanian financiers, Jorge Krupnick and Ricardo Bilonick, both now wanted in the U.S. on drug charges.[67] At the same time, a number of other sources have linked Harari to arms-dealing in Panama, and at least one has linked him (and the Israeli spy network MOSSAD) to drug-smuggling as well.[68]

The Kerry Subcommittee was able to demonstrate the same kind of U.S. protection and subsidy for the Cesar Rodriguez drug group as for the Frigorificos and Sanchez "Frogman" connections. Once again, the U.S. State Department chose to provide "humanitarian assistance" in 1986 to a company owned and operated by drug traffickers. In this case the company was DIACSA, "a Miami-based air company operated as the headquarters of a drug trafficker enterprise for convicted drug traffickers Floyd Carlton and Alfredo Caballero."[69] After one of their planes was forced down in Florida with 900 pounds of cocaine, on September 23, 1985, Floyd Carlton and Alfredo Caballero (a Cuban veteran of the Bay of Pigs) were indicted and convicted. Cabaliero got probation; Carlton got nine years. This is the case which led to the 1988 indictment in Miami of Manuel Noriega for drug trafficking.[70]

After 1984 the leadership of the Cesar Rodriguez-"Guachan" Gonzalez-Edmundo Chamorro connection was pretty effectively broken up. "Guachan" Gonzalez was indicted in Costa Rica, in November 1984.[71] A Miami DEA case opened in early 1985 against members of the firm DIACSA, which until then had been supplying the Costa Rica contras. Teofilo Watson (a pilot for Rodriguez), was murdered in April 1985, as was Cesar Rodriguez himself in March 1986. After the April 1984 cut-off of CIA aid to Pastora,

Fernando "El Negro" Chamorro defected to the ranks of the FDN contras, and their Costa Rica ally John Hull.

By accident or by design, this termination of what we may call the first Panamanian supply line to the contras in Costa Rica followed the April 1984 termination of U.S. support for Eden Pastora (who had been the primary recipient of aid from this Panamanian connection), and the increase of support for Pastora's arch-enemy John Hull under North. Hull's influence with the ARDE contras was abetted by the break-up of the Noriega-Carlton supply line, beginning with the Costa Rican drug-smuggling indictment, in November 1984, of Sebastian "Guachan" Gonzalez. The place of Gonzalez in a small terrorist group, M-3, was taken over by a CIA-trained Cuban American from Miami, Felipe Vidal, who throughout 1983-84 had been working with Hull to undercut Pastora's influence.[72]

The CIA appears to have been behind the infiltration of Vidal into the contra front in 1983, for which the arrangements were made by the American rancher Bruce Jones and the Costa Rican Civil Guard Colonel Rodrigo Paniagua.[73] There is no reason to think that the CIA meant to encourage Vidal to develop a drug connection in 1983. On the contrary, Bruce Jones has since told investigators that at the time he was told to "stay away from Frank Castro," Vidal's most notorious drug associate. But with the unexpected Boland amendment cutting off all CIA funding in 1984, it became more difficult to be so fastidious.

By 1985 the conflict between Pastora and Hull had taken on the coloring of a local cocaine war. Jose Blandon and Floyd Carlton, a very close friend of Spadafora, told the Kerry Subcommittee how Teofilo Watson's murder in Costa Rica, in May 1985, was part of a larger deal in which Watson's drug plane was hijacked and diverted from its intended destination to John Hull's ranch.[74]

The winding up of the Cesar Rodriguez-"Guachan" Gonzalez network did not displace Octaviano Cesar, who (as we shall see) was apparently a CIA operative with high-level U.S. political contacts. But it cleared the way for the emergence of two new drug-linked supply networks based in Miami: first that of the Colombian trafficker Jorge Morales, who flew arms and drugs for Octaviano Cesar and the Pastora faction from 1984 to 1986, and also that of the Miami Cubans Francisco Chanes, Moises Nunez, and Felipe Vidal (who unlike Cesar worked with Hull, Owen, North, and the anti-Pastora faction).[75] Both of these connections, as we shall see, were contacted

by John Hull, during his visits to Miami drug traffickers from as early as 1983.

Thus it is possible to see crude correspondences, in 1984-86 as in 1982-83, between shifts in overall responsibility for the contra support effort, and the main sources or "connections" in the local drug traffic. Just as the "Frogman" connection, broken up in 1983, had corresponded to the Argentine era, so the "Guachan" Gonzalez connection, broken up in 1984-86, had corresponded chiefly to the era of Duane Clarridge and the CIA, from the fall of 1982 until May of 1984.

In the same way the Miami-based Morales and Cuban-exile connections to John Hull, which we examine next, had their ascendancy from May 1984 (when Duane Clarridge introduced his successor Oliver North to contra leaders in Central America) to 1986. "April or May" 1984, as it happens, is the date Morales claims to have first spoken directly to Pastora's aides Adolfo "Popo" Chamorro, Adolfo's cousin Octaviano Cesar, and Marcos Aguado, who "introduced himself as the chief of the air force of the Southern group from Nicaragua."[76]

John Hull Brings in Jorge Morales and the Miami Cubans (1983-84)

The years 1983-84 saw two concomitant changes in the political status of the Southern Front contras, which were reflected in further modifications of the UDN/FARN-"El Negro" Chamorro drug connection. The first was the curtailment of Congressional funding, by the successive Boland amendments of December 1982 and September 1984. (The first of these, by prohibiting CIA use of funds "for the purpose of overthrowing the government of Nicaragua," amounted in law to a cut-off for the Southern Front, since it held the CIA to its stated purpose of stopping Nicaraguan arms flows to insurgents in El Salvador, on Nicaragua's opposite border). The second was the ending, in May 1984, of all CIA support for forces still loyal to Eden Pastora.

The result of these two changes was to shift CIA responsibility tor the Southern Front away from the CIA Embassy Station in Costa Rica, and

towards the CIA's operational asset on the border, the American rancher John Hull. Five witnesses told the Kerry Subcommittee that drugs as well as arms moved through the airstrips on John Hull's properties; of these one, the drug pilot Wemer Lotz, added that he had provided information about Hull's drug activities, "and the only answer I got was he was too high on the totem pole to be dealt with."[77]

In mid-1983 John Hull and his neighbor Bill Crone made trips to Miami and Washington that put them in touch with Miami-based drug trafficking organizations: Hull with the Colombian trafficker Jorge Morales, and Crone with CIA Cubans like Frank Castro, Francisco Chanes, and Moises Nunez.[78] And in mid-1983 Morales and his pilot Gary Betzner first began using Fort Lauderdale Executive Airport and Ilopango Airport in El Salvador.[79]

The John Hull-Miami connection appears to have been initiated by the ex-CIA narco-terrorist Frank Castro, and his close colleague Porfirio Bonet. Both men had been arrested and then released in the Miami drug bust "Operation Tick-Talks" of 1981).[80] The two men visited John Hull and his neighbor Bill Crone in Costa Rica, and arranged for the introduction of Miami Cubans into the Southern Front.[81] Soon afterwards, in June 1983, John Hull came to Miami with the drug pilot Gerardo Duran, and with the current UDN/FARN military leader Jose "Chepon" Robelo. The three men went to the office of the admitted guns-for-drugs trafficker Jorge Morales.[82] (At this same time Hull's colleague Bill Crone also came to Miami and visited a training camp near Naples, Florida, which was financed by Tick-Talks suspects Frank Castro and Jose Marcos.)

The first result of Hull's visit to Morales office was an arms-and-drugs supply flight for Fernando "El Negro" Chamorro's men, now being supplied from John Hull's ranch. The plane's triangular flight-route via El Salvador and Colombia was later corroborated in detail under oath to the Kerry Committee, by both Morales and his pilot Betzner. Betzner described how in 1983 he flew Morales' DC-3, which had been loaded with 40 grenade-launchers (M-79s) at Opa-Locka near Miami, to the U.S. Naval Air Station at Boca Chica in Florida. At Boca Chica ship mines were loaded on the plane, and Betzner flew to the tightly-controlled contra supply base at Ilopango in El Salvador. He then returned to the Bahamas with 5800 kilos nf marijuana from Colombia.[83]

Betzner testified that the DC-3 had a U.S. government "sticker" on it which grounded it, presumably as a consequence of earlier drug trafficking:

"So, somebody had to arrange to release the aircraft to go do what it did."[84] He did not explain what these "arrangements" were. Government involvement in the release of the plane would make more significant Morales' testimony that the triangular flight "was a favor" -- not to the CIA, to John Hull, or to the contras ("At the time I didn't know exactly who the weapons were for"), but as a favor to a Colombian friend, Gustavo Velez, brought to his office by John Hull.[85]

Gustavo Velez was a member of the Medelim Cartel who had made previous arrangements for Morales to fly drugs from Colombia.[84] Morales also testified that, to his knowledge, the Medellin Cartel was supporting the contras, and that money was being funneled through Panama for this support.[87] From Morales' suggestive testimony one might conclude that both he and the contras he supplied were caught up in a larger drug network, where both he and they received directions simultaneously from the Cartels and the U.S. government.

Medellin contra support, to the extent of $10 million, has since been corroborated by Carlos Lehder in his December 1991 testimony at the Noriega trial. And a Miami attorney heard from a Medellin attorney in Colombia, Patricia Velez, "that Ochoa finances both Sandinista and anti-Sandinista forces in Nicaragua by setting up drug operations there."[88] The Betzner DC-3 flight, while not exactly the type of Medellin-contra collaboration she spoke of, would seem to confirm the general thesis that Colombians were involved with the U.S. government in drug-related contra support.

The Crone trip to Miami at the same time as Hull's also apparently discussed the transfer of this DC-3 to Costa Rica, the same DC-3 which was eventually delivered to Pastora's Air Force by Morales.[89] Robert Owen later reported to North that it was "former 'Bay of Pigs' veteran Frank Castro, who is heavily into drugs . . . who gave Pastora the new DC-3" delivered by Morales.[90] This DC-3 has often been used to link Eden Pastora to drug-traffickers, but it was actually given to Marcos Aguado (Pastora's "air force" chief) and Octaviano Cesar, two subordinate contra officials.

According to Morales' sworn testimony, Aguado and Cesar represented themselves as CIA agents. Leslie Cockburn, checking on Morales' claim, found "no less than eight separate sources, ranging from senior contras to high-level administration officials in Washington [who] attested to the fact

that Cesar was an operative of the Central Intelligence Agency."[91] Aguado's closeness to John Hull before the La Penca bombing is documented by the records proving that, on the June 1983 flight to Miami, Aguado was John Hull's pilot.[92] In the break-up of ARDE at the time of the La Penca bombing, the DC-3 followed the anti-Pastora faction of Alfonso Robelo into service for the FDN. It was based thereafter at the Ilopango air base in El Salvador.

John Hull's trip to Miami appears to have been a search for a financial and recruiting base, from which to displace his personal enemy Eden Pastora. On July 21, 1983, Hull, Crone and the UDN/FARN contra political leader called "Wycho" (Luis Rivas) came to Washington to lobby against Pastora as well. As American citizens from Indiana, Hull and Crone went to the Washington office of Indiana Senator Dan Quayle, where they met Quayle's young legislative assistant Robert Owen. Owen took Hull to meet Oliver North, whom at this time he knew of by reputation only.[93] Then in September 1983 Hull and Crone flew Owen to Costa Rica, where they introduced him to Robelo.

To judge by Owen's subsequent close collaboration with Hull, Hull sought not just to bring the Southern Front contras more closely into line with Calero and the FDN in Honduras, but also to give them a more secure base in Washington. In late 1983 Owen left Quayle's office to join the powerful Washington public relations firm of Gray and Co., and later to do p.r. work for the contras.[94] This involved creating a new umbrella organization, the United Nicaraguan Opposition (UNO), in which the Calero-Bermudez FDN reality was disguised by the presence of more liberal contra political leaders (and ex-Sandinista allies), like Alfonso Robelo, who could be used to garner votes for contra assistance from congressional Democrats.

In 1984-86, at least on the UNO masthead, Calero's leadership was shared with two such liberals. One of these was Robelo, a Costa Rica-based Nicaraguan millionaire. Robelo endeared himself to Hull when, on May 29, 1984, he led a majority of ARDE's governing council into alliance with the Honduras-based FDN. (One day later, on May 30, a bomb exploded at the press conference which Pastora had called to disavow the Robelo faction.)

Afterwards the wavering Fernando "El Negro" Chamorro, no longer the force he had been in the Pastora-Cesar Rodriguez days, appears to have allied himself, at least tentatively, with the Rivas-Robelo faction. According to an Owen memo to North of April 1, 1985, Hull's friend Luis Rivas then claimed to represent politically the small residue of troops ("43 men") still

loyal to "El Negro" Chamorro, but actually commanded by Jose "Chepon" Robelo of the UDN/FARN.

The Jorge Morales Cocaine Connection, 1984-86

After the Robelo defections at the time of La Penca, Pastora, according to his colleague Karol Prado, appointed a new second-in-command, Adolfo "Popo" Chamorro. Soon afterwards, Pastora was approached by "Popo"'s cousins, Octaviano and Alfredo Cesar, as new political allies.[95] In the fall of 1984, two or three weeks after Pastora's return from a July 1984 visit to Washington, Octaviano Cesar, and his cousin Adolfo "Popo" Chamorro, went back to Morales in Miami. The three men worked out a deal in which (according to Morales) he would provide financial and material support for the contras of the Southern Front; and Cesar, in exchange, would intercede with his CIA friends to get help for Morales in the matter of a March 1984 drug indictment in Miami.[96] The Kerry Committee obtained U.S. government records of an October 1984 plane trip into the U.S. from the Bahamas, showing that Cesar had signed a declaration for $400,000 in drug money which Morales was donating to the contras.[97]

In 1984 Betzner also started flying for Morales and the contras again, this time, like Rene Corvo a year later, from Fort Lauderdale to John Hull's ranch.[98] Betzner told the Kerry Committee that after two separate flights in 1984 to Costa Rica, he and John Hull watched together while arms were unloaded and cocaine loaded for the return flight to Florida.[99]

To summarize: after the CIA cut-off, Pastora had accepted a CIA operative (Cesar) as his fund-raiser; Cesar then developed the Morales drug connection for which Pastora was later blamed by U.S. government sources. For a little over a year, Morales arranged for arms flights to John Hull's ranch and other airports, paid for by returning flights of his contra contacts' cocaine. Both Betzner and his co-pilot testified that they saw the loading of smuggled arms and the unloading of cocaine take place in broad daylight at Florida airports controlled by U.S. Customs, who (as Morales had promised them) did not interfere.

Morales heard through one of his sources that Miami law enforcement knew about, but did not act on, one of his 1985 flights; this "led me to

believe that I was very well protected."[100] Morales' impression was corroborated by his extraordinary freedom of movement to other countries after his 1984 indictment, despite the DEA's objections.[101]

Morales understood that Octaviano Cesar's well-bought protection for him derived not just from the CIA, but from Cesar's connections to:

> "high-level Washington people" . . . Specifically, Morales remembers Cesar telling him that "he had spoken with Vice President Bush about my situation," that is, about clearing up his indictment on drug charges.[102]

Morales later told another author that this was no rogue operation:

> "The CIA, the State Department and the White House knew all about it, and, indeed, in May 1986 Morales was due to meet Vice-President Bush to discuss the "secret operation," but the meeting was abruptly canceled at the last moment."[103]

Such a meeting is not hard to imagine, given George Bush's habit of frequenting Republican fund-raisers in Miami, sometimes hosted by his son Jeb, at which high-level traffickers and/or their wives and lawyers have been alleged to be present. Morales himself testified that he had given away about $600,000 for political protection in other countries. But in response to questions from Senator Kerry, Morales testified publicly that he had not given political contributions in the United States, and specifically not in Miami.[104]

Morales' claim to have flown arms and drugs for the contras in a CIA-approved arrangement was dismissed as "not credible" by Miami U.S. Attorney Leon Kellner and his assistant Richard Gregorie, and the two men discouraged the Kerry Committee staff from meeting with Morales. The State Department acknowledged only one drug flight for the contras, in which Morales' pilot, Gerardo Duran, was arrested in January 1986.

However Fabio Carrasco, Betzner's co-pilot and the government's own witness in a 1990 drug smuggling case (against Jose Abeilo in Oklahoma) also testified that on thirty or forty occasions he had delivered millions of dollars of cocaine earnings, on orders from Morales, to contra leaders Octaviano Cesar and "Popo" Chamorro. He also said he had personally

supervised flights of arms to Costa Rica which had returned with cocaine. Carrasco said "he believed the operation, including bringing several planeloads of 300-400 kilograms to the United States, was known and approved by the CIA."[105]

This witness, unlike Morales, had no visible motive for this testimony, which was elicited from him under cross-examination. Moreover he corroborated earlier testimony to the Kerry Committee from another drug pilot, that the Morales-Duran operation overlapped with that of Floyd Carlton, flying cocaine from Panama via the facilities and personnel of DIACSA and the Guerra family in Costa Rica.[106] Thus we may talk of the Morales connection as the second Panamanian supply line to the contras. Noriega's 1984 contribution of $100,000 to Popo Chamorro and Octaviano Cesar, the contra leaden; whom Morales and Carrasco also dealt with, can be seen as motivated by the desire to buy protection for his trafficking through Carlton, for which Noriega was ultimately indicted.

Despite the revelations about Adolfo "Popo" Chamorro in the Kerry subcommittee, and his April 1986 arrest in Costa Rica, Chamorro was named in June 1990, by his aunt, President Violeta Barrios de Chamorro, to be her government's consul in Miami. In the spring of 1991, when the "Popo"-Morales-Carrasco story was published in *Cocaine Politics,* Adolfo "Popo" Chamorro abruptly resigned this post.

Back in December 1985, when the contra-drug story finally reached the American mainstream press, Morales, a Colombian, was made the scapegoat. Before the contra-drug story was broken by AP reporters Brian Barger and Robert Parry, their superiors had removed their references to the trafficking of John Hull and "virtually all" contra factions; and replaced them with a CIA report attributing drug-financed arms purchases to one of Pastora's top commanders.[107] Three weeks later, on January 16, 1986, Morales' magical protection vanished. Bahamian police authorities, advised by the DEA, seized a 80-kilo shipment of cocaine which had been flown there from a Costa Rica airport, Liberia, close to John Hull's ranch.[108] Summoned before the Iran-Contra Committees, CIA Central American Task Force chief Alan Fiers again pointed away from Hull and towards Pastora: "there was a lot of cocaine trafficking around Eden Pastora . . . None around FDN, none around UNO."[109]

We have already noted Mario Calero of the FDN had a part interest in suspected drug trafficker Frank Moss's airline Hondu Carib. In fact for two

years Robert Owen had been reporting to North about FDN and UNO drug problems, as well as Pastora's. On April 1, 1985, for example, Owen registered "concern" to North about Fernando "El Negro" Chamorro (now relocated to the FDN), because his military commander, Jose "Chepon" Robelo, had "past indiscrestions" [sic] including "potential involvement with drug running and the sales of goods provided by USG."[110] Alfonso Robelo of UNO had a nephew, Araldo Lacayo Robelo, who was later named in connection with a 50-kilo shipment of cocaine for arms.[111]

But the heart of the new drug connection to the Southern Front seems at first to have been the new connection between contra leaders "Popo" Chatnorro and Octaviano Cesar, and the Miami-based Colombian drug trafficker Jorge Morales. And by 1987, after the political retirement of Alfonso Robelo, the most powerful contra survivor from Costa Rica was Octaviano's brother, Alfredo Cesar.

It is hard to trace the politics of shifts in the contra-drug connection with any certainty after 1984. After the Hull-sponsored defections in ARDE away from Pastora, the political and military significance of the Southern Front declined; and some observers speculate that (as for some CIA Cubans a decade or so earlier) for some contra leaders drug-smuggling became no longer a means but an end in itself.[112]

What seems clear is that from 1984 to 1986, Morales, even though under indictment, "was given extraordinary freedom by the court to travel abroad," while his planes (according to Morales, Betzner, and another pilot called Michael Tolliver) flew repeated arms flights to John Hull's ranch that were paid for with contra cocaine.[113] This situation, interrupted by the arrest of Betzner in November 1984, ended with the arrests of Duran and Morales in 1986, and the separate indictment of Carlton one week later, which led to his arrest.[114] In April 1986, Adolfo "Popo" Chamorro was arrested in Costa Rica on arrival from Miami, and was returned to the United States.[115]

By 1986, thanks to Oliver North and Robert Owen, Ricard Secord had displaced most of the competitive arms suppliers for the contras.[116] Most of the military equipment for the Southern Front was coming, thanks to North and Secord, via the airfield of Ilopango in El Salvador, no longer from Noriega in Panama. With the end of the Morales operation, and with all of his Panamanian allies and pilots arrested or murdered, Pastora in 1986 announced his retirement from the fight.

Eliminating the Foreigners: the John Hull-Miami Cuban Connection

The winding up of the Morales smuggling operation in 1986 left untouched the other drug-linked network in contact with John Hull: that of Frank Castro, Rene Corvo, and Corvo's friend Moises Dagoberto Nunez, who had installed himself in Costa Rica as the head of a seafood company, Frigorificos de Puntarenas. In fact, according to the Kerry Report, Frigorificos de Puntarenas was a "cover for the laundering of drug money."[117]

The function of Frigorificos was not to facilitate anns-for-drugs deals, as in the case of the Morales network, but to serve as a CIA operational asset using Cubans who were also CIA operatives. There is abundant documentary evidence from Robert Owen's memos, and elsewhere, of the close collaboration between the company's officer, Moises Nunez, John Hull, Robert Owen, and CIA station chief Joe Fernandez. This explains why Frigorificos was among the drug-linked companies chosen to receive Nicaraguan "humanitarian assistance" funds ($261,937) from the State Department in 1986.[118] At this time the company, Frigorificos de Puntarenas, was being used by Hull, North and the CIA as a front for a covert maritime operation against Nicaragua. All of this was made clear by one of Owen's memos to North:

> Moises Nunez, a Cuban who has a shrimping business in Punteranous (sic) is fronting the [maritime] operation ... I have met with him on a number of occasions and he seems up front and willing to keep his mouth shut. Joe [Fernandez, the CIA chief in Costa Rica] has agreed to have him used ... If we can get two shrimp boats, Nunez is willing to front a shrimping operation on the Atlantic coast. These boats can be used as motherships. I brought this up awhile ago and you agreed and gave me the name of a DEA person who might help with the boats.[119]

A heavily censored version of this memo was released in the Iran-Contra Hearings as Owen Exhibit RWO-13, but with the relevant section deleted. Thus the public did not then learn that Owen was plotting with North to use the DEA in support of known drug-traffickers. It is not clear whether the document was censored to protect national security, or Owen himself. At the time Owen was a defendant in a suit brought by the Washington-based Christie Institute, alleging that Owen's involvement with Secord, Hull, Vidal, Corvo, Chanes and Nunez constituted a criminal conspiracy.[120] It is characteristic of the Iran-Contra sleaze that Secord's investigator in the Christie matter, Glenn Robinette, turned for help, via Robert Owen, to the same Moises Dagoberto Nunez.[121] Nunez was no outside investigator; like Owen, he was a co-defendant and co-conspirator, actively interested in stopping the Christie lawsuit. It would appear that, once again, profits from a U.S. covert operation (the Iran arms sales from which Secord paid Robinette) may have been used to protect, rather than prosecute, the drug traffic.

FBI documents appended to the Kerry Report confirm that the Miami-based Cuban network of Corvo and Nunez in Costa Rica was involved in a number of conspiratorial illegalities, as originally alleged in 1986 and denied at that time by government representatives. Rene Corvo himself admitted to the FBI that on March 6, 1985, he had smuggled arms out of the United States in a plane flying to the ranch of John Hull in Costa Rica. These arms, he told them, included a 20 millimeter cannon, a 60 millimeter mortar launcher, and among other weapons a .308 sniper rifle from Tom Posey (leader of the American contra support group CMA).[122] Yet CIA representatives assured members of Kerry's staff, in a secret meeting of May 6, 1986, "that no weapons were aboard" the March 6, 1985 flight.[123]

According to a Costa Rica prosecutor's report in January 1990, Moises Nunez was running a drug front through which "monies coming from narco-trafficking were delivered to the Nicaraguan contras."[124] This is based on information, in an FBI internal report, that Nunez' partner Francisco Chanes, another Cuban-American associate of John Hull and official of Frigorificos, was giving money "from narcotics transactions" to "the Nicaraguan Contra guerrillas."[125] The same informant called Chanes a "close associate" of Frank Castro, a veteran CIA terrorist and drug trafficker who had been the principal organizer of the so-called CORU terrorist

network of 1976, responsible for the blowing up of a Cuban civilian airliner.[126]

In yet another FBI Report, Castro admitted working with Chanes to supply Corvo with food and ammunition, and also to meeting Hull.[127] In one interview Corvo told the FBI he had trained Moises Nunez, who was "assisting the anti-Communist cause in Central America," as a paratrooper. Nunez and Chanes were identified by company records as officers of the drug front Frigorificos de Puntarenas.[128] In a later interview, Corvo readily confessed to his conspiratorial violation of anti-neutrality laws, as part of a network involving John Hull, Frank Chanes, and Felipe Vidal:

> CORVO stated that the only crimes he had committed are United States neutrality violations for shipping weapons from South Florida to Central America . . . The non-lethal equipment and para-military supplies were stored at the residence of FRANK CHANES in Southwest Miami . . . STEVEN CARR and ROBERT THOMPSON were also on the cargo plane . . . CORVO stated JOHN HULL and FELIPE VIDAL, aka [also known as] MORGAN, drove CARR and THOMPSON to the new training camp ... in Pocosol.[129]

In short the Kerry Report Exhibits corroborate the initial allegations explored by Kerry's personal staff in 1986, linking Hull, Vidal, Corvo, Chanes, Nunez, and Frank Castro to a conspiratorial network involved both in drug-trafficking and in gun-running.[130] The same allegations were at the core of the Christie Institute suit filed in May 1986 against the first five of these individuals. In 1988 the Justice Department itself, after prodding from Senator Kerry, belatedly indicted individuals both for gun-running (Rene Corvo), and for drug-trafficking and money laundering through a complex of shrimp companies including Frigorificos de Puntarenas.[131] (The indictments have since been dropped.)

Of the Cubans inserted into the Southern Front in 1983, the most important, and most controversial, was Felipe Vidal. North's notebooks show him as one of three men working in 1984 with John Hull, while Owen later wrote to North in 1985 that both he and the CIA Station Chief in Costa Rica (Joe Fernandez) "would suggest using Felipe Vidal" as a liaison with the "Costa Rican Situation."[132] A 1986 Owen memo on the Frigorificos

shrimp boat operation talks of putting an American Special Forces veteran on to the project, "in the hands of Max (Felipe Vidal) and Nunez."[133] Joe Fernandez allegedly testified to the Iran-Contra Committees that "Vidal and Corvo were 'our people' (CIA) and had a 'problem with drugs,' but that the agency had had to 'protect' them."[134] Journalists went further, calling Vidal a CIA contract agent and overt advocate of terrorism who "has been arrested at least seven times in Miami on narcotics and weapons charges."[135]

The FBI documents reprinted in the Kerry Report have relatively little on Vidal. But they roughly outline the "Corvo" or "Costa" investigation that (as the Iran-Contra Committees learned) was rendered inactive in 1986 after the Justice Department in Washington became aware of it.[136] What made the Corvo gunrunning incident so sensitive was not just the deterrent effect knowledge of it might have had on the willingness of Congress to restore military aid to the contras (which they did in June 1986). There was the fact that the smuggling was *protected.* The arms, including the cannon, had according to witnesses been loaded on to the plane in broad daylight, even though the export declarations given to Customs described the shipments as "clothing" and "medical supplies" for "the refugees of San Salvador."[137] The same documents prove that the plane flew to Ilopango Air Force base in El Salvador, a military base (at which both contra representatives and U.S. military personnel were present) where special prior permission to land was required. Add to this that at least one of the Kerry staff witnesses had seen the weapons stored in the presence of cocaine, and you see the sensitivity of the March 1985 Corvo shipment: a U.S. government-protected, guns-for-drugs operation, in which those protected included suspected major drugs smugglers who were also notorious CIA-trained terrorists.

This U.S. government protection appears to have been on-going. We see from the FBI documents that this U.S. government protection was being extended to individuals who had been indicted for previous narcotics offenses, always to have the indictments thrown out. Frank Castro, for example, had been indicted under both Operation Tick-Talks and Operation Grouper: two notorious DEA cases that went nowhere (Operation Grouper had been handled by a corrupt member of Vice-President Bush's Task Force

on Drugs, who skipped town after being indicted on corruption and smuggling charges).[138]

Those protected in the Corvo flight out of Fort Lauderdale were not only drug traffickers; they were also notorious terrorists. The FBI investigation into the Corvo gun shipment involved not only Frank Castro, the former organizer of CORU, but many others linked to previous instances of terrorism. The FBI documents confirm that, as FBI Agent Currier suggested to the Iran-Contra Committees, Corvo, Francisco Chanes, Frank Castro, Armando Lopez Estrada, and others were at the time of the flight already under investigation for their alleged role in the May 1983 bombing of the Continental National Bank of Miami.[139] The list of Rene Corvo and Frank Castro associates in the FBI documents is a litany of terrorists associated with previous unauthorized terrorist incidents in the United States and Canada, from Omega 7 (Luis Crespo) back to the *pragmatista* terrorists of the Watergate era (Eduardo Paz, Rafael Perez alias Torpedo).[140] One (Ramon Sanchez) had even been part of an attempt by Watergate burglar Frank Sturgis in 1963, narrowly averted by the FBI and British police, to sink a Soviet tanker; and thus frustrate the entente established between Kennedy and Krushchev after the Cuban missile crisis.[141] In short, when added to other documents from the Iran-Contra and Christie depositions, there is now strong evidence that the illegalities of this Rene Corvo-Frank Castro-Felipe Vidal connection were more extensive, more high-level, and more murderous than the FBI documents indicate by themselves.

Finally we should view the protected terrorism of the Frank Castro-Felipe Vidal connection in the 1980s (when George Bush was in charge of the "war on drugs" and "counter-terrorist" activities), as a prolongation of the protected terrorism of the Frank Castro-Armando Lopez Estrada-Luis Posada Carriles CORU connection in 1976 (when George Bush was Director of Central Intelligence). Indeed both are only the most recent "anti-terrorist" manifestations of an on-going scandal of drug-financed covert operations that dates back for almost three decades.

The political clout of this CIA-Cuban drug connection appeared briefly to have been broken in 1970, when federal drug agents arrested 150 suspects in "Operation Eagle," which they called "the largest roundup of major drug traffickers in the history of federal law enforcement."[142] As many as 70 percent of those arrested may have belonged to the Bay of Pigs

brigade launched by the CIA against Castro in 1961.[143] But not surprisingly, this revealing fact was not mentioned by Attorney-General Mitchell, in his announcement that the Justice Department had just broken up "a nationwide ring of wholesalers handling about 30 percent of all heroin sales and 75 to 80 percent of all cocaine sales in the United States."[144]

If all these arrests had led to convictions, the CIA-Cuban connection would have been broken, and there might well have been no cocaine epidemic of the 1980s. But, as on other occasions, the top traffickers with CIA connections proved to be immune from prosecution. Some of the cases were thrown out on a technicality, after it was demonstrated that the authorizing documents for the arrests had been improperly signed. Another, although convicted, had his sentence reduced from seven years to probation.[145] The result was to leave essentially intact a connection that has figured centrally in this nation's major political scandals of the last three decades, from Iran-Contra back through Watergate to the background of the assassination of President Kennedy, and the CIA-sponsored plots to assassinate Fidel Castro.[146]

One is driven to the depressing conclusion that the cumulative effect of contra-related drug busts in the Reagan-Bush era has been to eliminate newcomers with whom Washington had become disenchanted (such as those associated with the Frogman case and the Argentine-CAL connection), but to leave untouched, in the end, the networks of drug-trafficking Cuban exile narco-terroists terrorists with whom Washington has been in alliance since Fidel Castro came to power.[147] Neither in Honduras nor in Costa Rica, the two windows of drug-smuggling opportunity which were opened by U.S. contra support operations, is there any indication that the two windows have been closed.

Allegations of Contra-Support Trafficking at Ilopango, El Salvador, and Other U.S.-Controlled Bases

The role of ex-CIA Cubans in the Costa Rica contra-support drug traffic raises questions why Vice-President Bush's office, in 1985, arranged for a veteran of the ex-CIA Cuban milieu, Felix Rodriguez, to be stationed at the much larger airbase of Ilopango in El Salvador. There Rodriguez supervised contra-support operations, with the assistance of Luis Posada Carriles, then a fugitive from justice for his role in blowing up a Cubana Airlines civilian plane, a drug-financed CORU terrorist operation in 1976 (when Bush had been Director of the CIA). Rodriguez himself had worked recently for Gerard Latchinian, who as we saw received thirty years for his role in the Bueso Rosa drug-smuggling terrorist conspiracy.

For there were also allegations of further contra-support drug connections, operating through Ilopango Air Force Base in El Salvador, and other U.S.-controlled bases such as Aguacate in Honduras, which could receive much larger shipments on much larger planes. The Kerry Committee heard about these more serious drug allegations, but barely discussed them in their Report.

To date there is insufficient evidence to justify the charge by some journalists that Rodriguez was despatched to Ilopango by Bush's national security adviser Donald Gregg to be part of "the C.I.A.'s secret Black Eagle Operation," a major arms-supply network to the contras set up by former Israeli intelligence Micha Harari, and employing major drug-trafficking pilots such as Barry Seal.[148] But there were other and better-documented, albeit unproven, allegations of contra-support drug connections, operating through Ilopango Air Force Base in El Salvador, and other U.S.-controlled bases such as Aguacate in Honduras.

1.) *Southern Air Transport.* The first such Ilopango connection involved the Enterprise planes and pilots based at Ilopango, and reporting to Robert Dutton, Richard Secord and Oliver North. The planes there were owned and operated under a number of confusing covers, such as "Corporate Air Services;" but for the most part "the operation was actually managed by Southern Air Transport under Dutton's direction."[149] Southern Air however was located at Miami International Airport, and thus in no position to exercise control over the pilots' activities.

In the first flush of Iran-Contra revelations, the *New York Times* reported that the Ilopango-based pilots:

> "covertly ferrying arms to the Nicaraguan rebels were smuggling cocaine and other drugs on their return trips to the United States, Administration officials said today. When the crew members . . . learned that Drug Enforcement Administration agents were investigating their activities, one of them warned that they had White House protection, the officials said . . . The flight crew member in El Salvador used Colonel North's name, officials said. The crew member's warning, made after investigators had searched his house in San Salvador for drugs, caused "quite a stir" at the Ilopango Air Base . . . Early this month [January 1987], word of this incident began circulating in the White House and in some other Government agencies, and some senior officials became "very, very worried that Ollie [North] really had stopped that investigation..." a former White House official said . . . The officials' concern increased in light of the recent disclosure that Colonel North had told the Federal Bureau of Investigation last October to stop investigating Southern Air Transport. Officials from several agencies said that by early last fall the Drug Enforcement Administration office in Guatemala had compiled convincing evidence that the contra military supply operation was smuggling cocaine and marijuana . . . After dropping arms in El Salvador, rather than returning to the United States in empty cargo planes, the pilots stopped on occasion in Panama, a major drug transhipment center, to pick up cocaine or marijuana.[150]

The *Times* reported that congressional investigators "said the incident will be studied again" as part of the Iran-contra inquiry. But as we shall see, it was covered up instead.

One day later, the *Washington Post* had a second story, of "a connection between a Colombian cocaine kingpin and Southern Air Transport:

> "According to informed sources, a witness told the Federal Bureau of Information last summer of having seen a cargo plane with Southern Air markings being used for a guns-for-drugs transfer at an airfield in Barranquilla, Colombia in 1983 . . . The witness told in less detail of another visit to Barranquilla in October 1985 by a Southern Air plane.

> The personal flight logs of Wallace B. Sawyer, [Ilopango-based] copilot killed in the [Hasenfus] C123 crash Oct. 5 and who worked for Southern Air, indicate two visits to Barranquilla in October 1985 aboard a Southern Air L-382 cargo plane.[151]

According to *Newsday* next day, "The woman has also said that drug kingpin Jorge Ochoa . . . told her he was working with the CIA to get illegal cocaine into South Florida."[152]

Later the alleged eyewitness, "Wanda Doe" (the wife of a major Colombian trafficker) told the Kerry Committee staff "that she saw airplanes owned by Southern Air Transport land in Barranquilla, Colombia, unload weapons and load cocaine." The *New York Times,* reporting this, added that, according to an FBI spokesman, "Wanda Doe" was employed briefly in 1987 by the FBI in Miami and proved to be "reliable."[153]

These SAT-Ilopango drug allegations were followed by vigorous cover-up, initially by Oliver North, but subsequently by the Congressional Iran-Contra Committees. The latter described how, after the crash of the Hasenfus-Sawyer C-123, North had intervened with both FBI and Customs officials to slow down their investigation of SAT; but they said nothing about the DEA and the SAT-Ilopango inquiry.[154] There were other, independent allegations of cover-up as well.[155]

2). *Barry Seal.* A second alleged Ilopango trafficking connection is the guns-and-drugs smuggling operation which former drug pilot Barry Seal is alleged to have overseen on behalf of the contras for the CIA. Jonathan Kwitny collected testimony from four drug pilots imprisoned in Florida that "they knew Mr. Seal as part of a network that delivered weapons to airfields in Central America for the American backed Contras and then sometimes flew back to the U.S. with cocaine."[156] Gary Betzner, one of Morales' pilots, told Kwitny that he once ran into Seal at Ilopango; and Jack Terrell said that Seal's planes also used the U.S.-controlled support base at Aguacate in Honduras.[157]

More recently a number of investigators have come to believe that Barry Seal was flying a number of C-123s and C-130s, large transport planes, in and out of remote airstrips in and near Mena, Arkansas. The planes reportedly made sanctioned deliveries of arms to unknown destinations in the Caribbean, and also returned with large consignments of drugs. These

drug flights were reportedly investigated at some length by both federal and state authorities, but through many years never led to indictments or arrests. Barry Seal was himself arrested and convicted in Florida for an unrelated shipment of Quaaludes, and eventually (after more drug flights as a DEA informant) killed in Baton Rouge in 1986. But the Mena operation, according to these sources, has continued to the present; although they do not know whether or not it is linked to Ilopango.

3). *UDN-FARN/Meneses.* A third alleged Ilopango drug connection is that organized by the Costa Rica contra faction UDN-FARN. Sebastian "Guachan" Gonzalez, who as we saw fled Costa Rica after a drug-trafficking indictment, told an investigator that he had traveled to Ilopango to set up a supply operation. There he talked with a Colonel Lobo of the El Salvador Air Force, and eventually Lobo's superior General Juan Rafael Bustillo, Commander of the El Salvador Air Force and the man who authorized all of the covert operations at the Ilopango base. Bustillo approved Gonzalez' support proposal, which was then organized and administered by Jose "Chepon" Robelo, the head of the UDN-FARN Air Force.[158] Thereafter at least one contra supply plane (N91CB, a Beechcraft) was based in Ilopango but flew repeatedly to an airstrip on John Hull's property and elsewhere in Costa Rica; it eventually crashed off the coast of El Salvador. (This was the same plane which John Hull, with Jose Robelo as passenger, flew to Miami in June 1983; it later apparently flew "Guachan" Gonzalez to Panama to avoid drug charges in late 1984).[159]

Both "Guachan" Gonzalez and Jose Robelo have been accused of drug-trafficking, the latter by Robert Owen in a memo of 1985 to Oliver North. In addition the UDN-FARN had allegedly received about $500,000 from the cocaine ring behind the San Francisco "Frogman" drug shipment of 1983.[160] A Senate investigator heard that Norwin Meneses, the alleged kingpin of the ring, was himself close to General Bustillo, and had supplied cocaine to El Salvador's Minister of Defense.

We have seen that, in November 1991, Meneses, a prominent contra supporter in the San Francisco Bay Area, was arrested in Managua in one of Nicaragua's biggest drug busts. (758 kilos of cocaine were seized.) A senior police official called Meneses "the king of cocaine in Nicaragua."[161] He also said that Meneses was planning to ship 4000 kilograms of cocaine to the U.S. through El Salvador. This would suggest that the El Salvadoran

governmental protection, established by Meneses and UDN/FARN in the contra/Ilopango era, is still operative.

In short, although Jose Robelo is not known to have moved drugs on planes through Ilopango, a tight UDN-FARN network is alleged to have existed there whose common denominator was drugs. This returns us to the question whether the initial affiliation of Miami Cubans in Costa Rica, like Frank Castro, Felipe Vidal and Rene Corvo, to John Hull, to the UDN-FARN, and to "Guachan" Gonzalez in particular, had anything to do with the appointment of Felix Rodriguez, a contra supporter from the outset, to be an intermediary between the contras and Bustillo at Ilopango.

4.) *The Morales DC-3.* A fourth alleged Ilopango drug connection is that which Jorge Morales described to author Jonathan Kwitny. According to Kwitny, the DC-3 (or C-47) which Morales gave to the contrast:

> was repeatedly piloted into and out of Ilopango Air Force Base in El Salvador by Marcos Aguado . . . *Contras* say that weapons were unloaded from Morales's plane at Ilopango for transfer to smaller planes, which then flew to Hull's ranch or to *contra* camps inside Nicaragua. Documents show that the plane, with its illegal, untraceable tail number, was refueled by the Salvadoran Air Force. Another pilot of the C-47, according to refueling receipts, was [cocaine pilot] Geraldo Duran . . . Morales contends that his C-47 would continue on from Ilopango to Colombia, where it was reloaded with drugs before flying back to Florida.[162]

We have seen how one DC-3 flight on this triangular flight-route via Colombia was later corroborated in detail under oath to the Kerry Committee, by both Morales and his pilot Betzner. Betzner described how in 1983 he flew Morales' DC-3 to the U.S. Naval Air Station at Boca Chica in Florida. At Boca Chica ship mines were loaded on the plane, and Betzner was instructed to deliver the shipment to an American at Ilopango called Chris, whom he assumed to be "Department of Defense or CIA or something like that." At llopango the DC-3 was refueled, and Betzner flew straight to Riohacha in Colombia, where he took on 5,800 pounds of marijuana for delivery to Great Harbor Key in the Bahamas.[163]

This account confirms that Ilopango was not involved in the drug leg of the flight; but the flight may very well have been protected as a result of the

sanctioned arms delivery to Ilopango. This is implied by Betzner's testimony that the DC-3 had a U.S. government "sticker" on it which grounded it, presumably as a consequence of earlier drug trafficking: "So, somebody had to arrange to release the aircraft to go do what it did."[164]

This single triangular drug flight via Ilopango, unlike the others, is briefly described in the Kerry Report, but without reference to the Boca Chica Naval Air Station or the CIA.[165] Yet, whatever the degree of actual CIA involvement, from the point of view of Betzner et al., the CIA was involved. Morales testified under oath that, in giving the plane to Aguado, "Popo" Chamorro, and Octaviano Cesar, he gave it "to the Contras and the CIA;" he added (in May 1987) that the CIA still had it at Ilopango.[166] Octaviano Cesar, a contract CIA agent, testified that he reported on his relations with Morales, including the latter's status as a drug dealer, to "the CIA people at the American military attache's office that were based at Ilopango," where the DC-3 was based.[167] He was not asked whether these "CIA people" included Felix Rodriguez and Luis Posada, two men who were undoubtedly there handling the contra-supply flights.

The Morales DC-3 flight is only one of many tantalizing hints of overlaps between the various Ilopango networks. For John Hull had brought Jose Robelo of the UDN/FARN, as well as the Colombian, Gustavo Velez, to the June 1983 meeting in Miami, at which Jorge Morales agreed, as a favor to his friend Velez, to have his DC-3 fly to Ilopango and Riohacha.[168]

Little has been proven about the extent of drug-trafficking by planes flying through Ilopango. It is easy to see why. This story is far more sensitive than the better-documented story of drugs on the grassy airstrips of John Hull's ranch and other contra-support bases in Costa Rica. Bases like Ilopango and Aguacate were totally under government control, and virtually under the control of one government: the United States. And the planes that could land there, like Morales' DC-3 or Southern Air Transport's C-123s, could carry arms and drugs in far larger quantities (by a factor of ten or more) than the Cessnas and Navajo Panthers and Piper Aztecs that flew 400-kilo loads from the Costa Rican airstrips.

Washington’s Protected Drug Connections and the U.S. Press

Washington's protection of drug flows into this country from its allies is made more feasible by the visible reluctance of the establishment media to touch this explosive story. Although these protected gray alliances have in the end been reported in the U.S. press, this has happened belatedly, and reluctantly.

For example, in December 1985, the *Washington Post* finally ran a story, by Associated Press reporters Brian Barger and Robert Parry, breaking the story that contras in northern Costa Rica had "engaged in cocaine trafficking . . . according to U.S. investigators and American volunteers who work with the rebels."[169] This story might seem to refute the allegation that there is high-level management of public opinion on the drug issue in the national media establishment. But except for the mistake of a Spanish-language AP night editor, the Barger-Parry story, although well-sourced and largely since confirmed, might not have run in the United States. According to a carefully researched story on the story, in the *Columbia Journalism Review*, the U.S. press might have ignored the Barger-Parry piece altogether, had it not been for the accident that, on December 16, 1985:

> an editor working overnight at La Prensa Asociada, the AP's Spanish-language wire, called up the Parry-Barger story on his computer and, without checking to see if it had been cleared for publication, translated the latest draft and sent it out over the wire. The next morning the story appeared in Spanish-language papers in New York, Miami, and throughout Latin America. Included in the story was a quote from a U.S. official linking "virtually all" contra factions to drug smuggling, as well as a reference to John Hull, from whose farm drug shipments were allegedly flown. (The story also included a denial from Hull, who said that the charges amounted to "communist disinformation.")[170]

Under the circumstances, the *Washington Post's* running of the story nine days later was less a scoop than a belated and blatant attempt at damage control. For weeks Barger and Parry had been at loggerheads with their AP

superiors in Washington and New York, especially after "a senior White House official called" and asked that references to John Hull in the story be deleted.[171] The English-language AP story, which went out on December 20, was in effect censored to meet the White House request: "Gone was the reference linking 'virtually all' contra factions to drug smuggling, as was any mention of Hull." In their place was a "new twist:" a CIA report linking a cocaine-financed arms purchase to "one of ARDE's top commanders loyal to ARDE leader Eden Pastora," at that time the enemy of Hull, North, and the CIA.[172]

Seven days later, deep in the paper, the *Washington Post* ran the revised AP story. The *New York Times* did not run it at all, although in April 1986 (a month after Reagan's broadcast) it finally published a Barger-Parry follow-up story. Then in May the *New York Times:*

> gave the contras a clean bill of health. Under the headline CONTRAS CLEARED ON GUNRUNNING, the unbylined story quoted an unidentified 'senior official' of the Justice Department as saying that charges that the contras were implicated in gunrunning and drug smuggling were without foundation. 'There just ain't any evidence,' the source said. As it turned out, the 'senior official' was one Pat Korten, a deputy to Justice Department spokesman Terry Eastland. Although Korten's statements to the *Times* were quickly contradicted by others in the Justice Department and by investigators for the Senate Foreign Relations Committee (which was about to begin hearings on the gunrunning and drug smuggling charges) the *Times* did not run a correction. 'The confusion was Justice's,' says Phil Shenon, the *Times* reporter who interviewed Korten. 'Our story was accurate. The guy told us what he told us.'[173]

Not until late April 1986, nearly five months after the Barger-Parry story, did one of the major TV networks air a story on the contras' involvement in drug smuggling. Finally, in early 1987, reporters from the establishment press, including Joel Brinkley of the *New York Times* and George Lardner of the *Washington Post*, collectively added momentum to the breaking contra drug story by their own investigative efforts.

These belated revelations of the contra drag story have to be placed in the context of the other delayed drug stories of the mid-1980s: the massive flows of drugs from the Afghan rebel-Pakistani army connection and the contra support-Honduran army connection, both of which enjoyed *de facto* protection from Washington. The role of opium in financing the genesis of the Afghan resistance had been reported by the Canadian journal *MacLeans* in April 1979, the same month that President Carter's National Security Advisor, Zbigniew Brzezinski, pushed through a decision to support these resisters.[174] In May 1980 two concerned members of President Carter's White House Strategy Council on Drug Abuse, cut off from the classified information which the law entitled them to receive, warned *New York Times* readers in a dissident Op Ed piece: "We worry about the growing of opium poppies in Afghanistan and Pakistan by rebel tribesmen who apparently are the chief adversaries of the Soviet troops in Afghanistan."[175] Yet to judge from the *New York Times* index, the first *Times* news report of the Afghan rebel drug connection was in June 1986, even though by 1983-84 the *Times* could report that the Afghan-Pakistani border was supplying most U.S. heroin and 85% to 90% of all heroin sold in New York City.[176]

The flow of cocaine through Honduras, under the protection of traffickers allied to the Honduran military and the contra support operation, was even less noticed by the *Times* in the mid-1980s, despite the DEA's early warnings and the DEA estimate in the May 15, 1985 *Newsweek* that just one of these Honduran traffickers, Juan Ramon Matta Ballesteros, was supplying "perhaps one-third of all the cocaine consumed in the United States."[177] Not till after the record four-ton seizure of Honduran cocaine in November 1987 did the *Times* run a story on the involvement of Matta and Honduran military officers in the drug traffic, and even this story was silent about Matta's role in the contra support effort. (Instead it mentioned a claim by U.S. and Honduran officials that Matta's military ally, Col. Torres Arias, "dealt in guns for Salvadoran leftist guerrillas and the Sandinistas in Nicaragua.)[178]

In retrospect it would appear that the drug flows through the Afghan rebels and the Honduran military (with both of whom the U.S. was deeply involved) absolutely dwarfed the flows attributable to either the Sandinistas or the contras of Nicaragua. Yet in the key years 1984-86 the *Times* ran a total of four stories linking the drug traffic to Afghanistan, three to

Honduras, and no less than fourteen about Nicaragua; nine of these reported on the Reagan Administration's charges against the Sandinistas, and a tenth was their baseless whitewash (through Justice Department spokesman Korten) of the contras.

The problem here was not the reportorial staff or the *Times*, one of whom tried to write up the contra-drug story, but was told by his superiors to obtain (what he obviously could not) corroboration for the story from inside the government. When I was in Washington in 1987, I personally worked with journalists from other newspapers who completed stories on this topic, only to have them killed. And there were still others as well:

> Consider how *Time* handled the contra/cocaine story. In the fall of 1987, *Time* assigned a staff reporter to assemble any evidence that the Oliver North network supplying guns to the contras was also bringing cocaine into the U.S. The reporter found serious evidence, and wrote it up. As the former *Time* reporter explained to *Extra!*, after the article was written and rewritten, finally, a senior editor told the reporter to give up on the story. "The senior editor leveled with me," the reporter told *Extra!* "His words were: *Time* is institutionally behind the contras. If this story was about Sandinistas and drugs, you'd have no trouble getting it in the magazine."[179]

Conclusion

Neither in Honduras nor in Costa Rica, the two windows of drug-smuggling opportunity which were opened by U.S. contra support operations, is there any indication that the two windows have been closed, or even targeted by the new Bush strategy for waging a "war on drugs." Indeed the experience of Honduras suggests that our present strategy is not only badly misdirected, it is likely to aggravate our drug problems by opening new windows of smuggling opportunity. As if wholly forgetful of our heroin epidemic when we conducted counterinsurgency programs in Laos, we are now courting an aggravated cocaine epidemic by sending in

planes and Green Berets to conduct counterinsurgency programs in the Andean nations.

Honduras should tell us how disastrous is the policy of forming grey alliances and communications networks with corrupt, drug-trafficking "anticommunists" in third world countries. Yet the Bush formula for fighting drugs is precisely to create new such alliances, specifically in Peru, Colombia, and Bolivia. In all three countries, as the Bush Administration knows very well, cocaine profits have corrupted, to the highest level, the security forces we are making alliance with. The window of smuggling opportunity which the Reagan Administration opened and protected in Honduras, the Bush Administration is now opening in the very countries where the coca is grown.[180]

Take, first, the case of Peru. Jose Blandon, one of the two chief witnesses in the U.S. drug case against Manuel Noriega, warned Washington two years ago that Noriega had "ties with high-ranking officials in the Peruvian armed forces, some of these officers have been involved in well known drug related cases (case of the chief of police in Lima)."[181] The author James Mills learned from DEA sources that Matta Ballesteros' cocaine suppliers in Peru were the Paredes family, which a DEA Centac analyst described as "the biggest smuggling organization in Peru and possibly in the world." He wrote that the Paredes family controlled numerous Peruvian officials, including six agents in the PIP (Peruvian Investigative Police), two generals (General Mesias Sanchez-Castillo and a General Miyana), and a comandante of State Security. The Paredes were part of an established oligarchy that "controlled not only the roots of the cocaine industry but, to a large extent, the country itself."[182] A few years later another trafficker, Reynaldo Rodriguez Lopez, was an adviser to the PIP Director and maintained an office at PIP headquarters.[183]

Malta's Peruvian suppliers had drug-trafficking allies in Colombia, who enjoyed equally effective government protection.[184] Collaboration between Colombian security forces and the drug-traffickers death squads has significantly escalated since 1985, according to the respected human rights organization Amnesty International. In an October 1989 press release, Amnesty charged that in Colombia:

> "sectors of the armed forces -- often operating in alliance with alleged drug traffickers -- and paramilitary groups acting on their orders had killed unarmed civilians on an unprecedented scale in the past 16 months . . . The victims have included trade union leaders, human rights workers, teachers, priests, peasants, and more recently, members of the judiciary trying to investigate human rights abuses."

It described the street murder of a 38-year-old woman judge who had confirmed warrants for the arrest of three armed forces members and two alleged drug traffickers, in connection with the March 1988 massacre of 21 banana plantation workers.[185]

In the same year the respected researcher Rensselaer Lee reported that:

> "military factions in Colombia have been linked to cocaine traffickers through common membership in right-wing vigilante squads such as MAS. Colombian military units occasionally protect cocaine laboratories against [rebel] FARC extortion attempts. In a November 1983 incident, for example, a Colombian Special Forces team from Villavicencio helped a cocaine trafficker move an entire laboratory complex from an area controlled by the First FARC Front to a safer location near the Brazilian border. The operation, which involved 5 officers and 43 noncoms, required 26 days. During a 1984-1985 state of emergency in the Upper Huallaga Valley, Peruvian military commanders relied heavily on local cocaine dealers for information on the whereabouts, strength, and weaponry of Sendero forces."[186]

These are the armed forces, of course, to which the United States will provide increased assistance under the terms of President Bush's "War on Drugs." We cannot avoid the cynical comment that the Bush Drug War seems designed, not only to leave the Honduran drug connection untouched, but to open analogous new windows with the military in cocaine's countries of origin. It is clear that since at least 1982 Bush has personally involved himself in these new ways of keeping the CIA and Pentagon, with their corrupt overseas allies, in the disastrous game of counterinsurgency. The final Orwellian irony is that cocaine itself, rather

than the dreaded menace of communist peasants, has become the needed enemy.

Notes

1. United States General Accounting Office, Drug Control: U.S. Supported Efforts in Burma, Pakistan, and Thailand. GAO/NSIAD-88-94, February 1988 (cited henceforward as GAO), p. 12; Gerald L. Posner, Warlords of Crime: Chinese Secret Societies - The New Mafia (New York: McGraw-Hill, 1988), p. 74.
2. Alfred W. McCoy, The Politics of Heroin: CIA Complicity in the Global Drug Trade (New York: Lawrence Hill Books, 1991), pp. 447-460; Lawrence Lifschultz, "Inside the Kingdom of Heroin," Nation. November 14, 1988. Eight tons of Afghan-Pakistani morphine base from a single Pakistani supplier were responsible for the Sicilian mafia "Pizza Connection" in New York, said by the FBI supervisor on the case to have been responsible for 80% of the heroin reaching the United States between 1978 and 1984 (Ralph Blumenthal, Last Days of the Sicilians [New York: Pocket Books, 1988], pp. 119, 314).
3. GAO [52%]; McCoy, pp. 454-55.
4. See Michael Massing, Nation, December 2, 1991.
5. U.S. Cong., Senate, Committee on Foreign Relations, Drugs, Law Enforcement and Foreign Policy, A Report of the Subcommittee on Narcotics, Terrorism, and International Operations, April 13, 1989 (100th Cong., 2nd Sess.), p. 73. Cited henceforth as Kerry Report.
6. Mort Rosenblum, "Hidden Agendas: The Honduran Connection Makes Hypocrisy Out of the Hype about Bush's War on Drugs," Vanity Fair. March 1990, pp. 102, 118, 120.
7. Washington Post, December 7, 1987; Kerry Report, p. 490.
8. In May 1979 High Times reported that Honduras had been transformed by its the president, army general Policarpo Paz Garcia, into a smuggling bridge between Colombia and Florida.
9. Kerry Report, 75; U.S. Cong., Senate, Committee on Foreign Relations, Drugs, Law Enforcement and Foreign Policy Hearings, Part IV (100th Cong., 2nd Sess.), pp. 724-25. Cited hereafter as Kerry Hearings.
10. New York Times, April 10, 1988.
11. Vanity Fair, March 1990, p. 120.
12. Los Angeles Times, February 13, 1988; Jonathan Marshall, Drug Wars: Corruption, Counterinsureency and Covert Operations in the Third World (Berkeley: Cohan and Cohen, 1991), p. 45.
13. Roy Gutman, Banana Diplomacy: The Making of American Policy in Nicaragua 1981-1987 (New York: Simon and Schuster, 1988), p. 57. Torres Arias resigned from the army, denouncing General Alvarez and his "criminal and bloody campaign" against Nicaragua (Gutman, pp. 113-14). But as we shall see he maintained his influence over his successors in G-2, who in turn maintained the contra support connection. The other Hondurans were General Paz and General Gustavo Alvarez Martinez, army chief of staff.

14. Elaine Shannon, Desperadoes: Latin Drug Lords, U.S. Lawmen, and the War America Can't Win (New York: Viking, 1988), pp. 115-16, 213.

15. Kerry Report, p. 44; Peter Kornbluh, Nicaragua: the Price of Intervention, p. 239.

16. Although Torres Arias was demoted in 1982 and sent to be military attache in Argentina, his G-2 successors Col. Hector Aplicano and Col. Roberto Nunez Montes have maintained the contra-SETCO connection. According to testimony from former Panamanian official Jose Blandon, Torres Arias, and his associate Col. Huberto Bodden Caceres, continue unofficially to control Nunez Montes (Drug Investigation Deposition Before Kerry Subcommittee of Jose Blandon, June 5, 1989, pp. 18-20).

17. Newsweek, May 13, 1985, p. 41. In 1990 Matta, having been convicted on cocaine charges, went on trial in Los Angeles for the Camarena murder. For his relationship to the murder, see James Mills, The Underground Empire (Garden City, NY: Doubleday, 1986), p. 1154; Shannon, passim.

18. Kerry Report, pp. 43-45.

19. Marshall, Drug Wars, p. 45.

20. Vanity Fair. March 1990, pp. 104, 106.

21. Kerry Report, pp. 44, 296.

22. Kerry Report, pp. 45, 296-97; Cockburn, p. 234.

23. Kerry Report, p. 44.

24. Kerry Report,, pp. 44, 286-88; U.S. Customs Service Investigation Report of May 18, 1983; Case # NOGBDO3000036 Guy Owen et al.

25. On June 14, 1983, at the time DEA closed down its Honduras DEA post, Vice-President George Bush was picked to head an "accelerated program against drug smuggling," using CIA undercover operators and surveillance by military units in a centrally coordinated war against drugs. One can ask if one of the early products of this Bush-led CIA-DEA coordination was not precisely the closure, "on or about June or July of '83," of the Honduras DEA station (Kerry Hearings, IV, p. 724).

26. Kerry Report, p. 76.

27. Kerry Report, p. 76; Scott Anderson and Jon Lee Anderson, Inside the League (New York: Dodd Mead, 1986), pp. 232-33. General Alvarez had been one of the three Hondurans who met with Clarridge and the Argentine colonel back in 1981. A third co-conspirator in the Bueso Rosa affair, Faiz Sikaffy, had been a partner in corruption with the third Honduran in the 1981 meeting, President Policarpo Paz Garcia. Sikaffy was later indicted for shipping more than a ton of marijuana into the United States.

28. Kerry Report, p. 76.

29. North PROF note to Poindexter, 9/17/86; Iran Contra Affair, p. 110; Appendix A, pp. 1, 775. Former U.S. Ambassador Francis McNeil told the Kerry Committee how he and other State Department officials averted, with great difficulty, a luncheon arranged for Bueso Rosa after his sentence in the Executive Dining Room of the Pentagon (Kerry Hearings, III, pp. 48-49).

30. Los Angeles Times, February 13, 1988.

31. Kerry Report, p. 78.

32. Robert Owen memo of February 10, 1986 to Oliver North; Exh. RWO-11:

33. Kerry Report, p. 49. Vortex operated a drug-linked DC-6. North's diary contains the following entry for August 10, 1985: "Meeting with A[dolfo]. C[alero]. - Name of DEA person in New Orleans re bust on Mario DC-6" (Iran-Contra Affair. Appendix A, pp. 1, 376). Robert Owen was questioned by Iran-Contra Committee staff about "a DC-6 that was supposedly loaded with narcotics" being seized by the United States in 1985 (Iran-Contra Affair. Appendix B, pp. 20, 842; cf. pp. 15, 826).

34. North American readers may be confused by the numbers of representatives of the extended Chamorro family, one of Nicaragua's traditional ruling families, among the contras. The Chamorro family we are discussing here is restricted to Fernando "El Negro" Chamorro and his brother Edmundo. For our purposes, Adolfo "Popo" Chamorro (with his first cousins Adolfo and Octaviano Cesar) represents a different branch of the family. Adolfo "Popo" Chamorro was the cousin of contra leader Pedro Joaquin Chamorro (the son of Violeta Barrios de Chamorro). Contra leaders Ernesto "Tito" Chamorro and Edgar Chamorro come from still other family branches.

35. For example no one in either the Reagan Administration or any Congressional Committee has responded publicly to the notation in Oliver North's notebook for July 12, 1985 - "$14 million to finance came from drugs;" or that of August 9, 1985 -- "DC-6 which is being used for run out of New Orleans is probably being used for drug runs into U.S." (Kerry Report, pp. 147, 153).

36. Deposition of General Gorman to Iran-Contra Committees, July 22, 1987; Iran-Contra Affair, Appendix B, pp. 12, 832: "Everything I know from intelligence [deleted] would suggest that anybody that was in the game of subversion down there was in one way or another involved with drugs. There can be little doubt, for example, on the basis of what I heard from [deleted] that the Nicaraguan resistance groups [deleted: probably, 'in Costa Rica'] turned very broadly to marijuana cultivation and sales when U.S. support for them was attenuated."

37. Seth Rosenfeld, San Francisco Examiner, March 16, 1986, p. A-1; reprinted in Kerry Report, p. 432; cf. Jonathan Marshall, Peter Dale Scott, and Jane Hunter, The Iran-Contra Connection: Secret Teams and Covert Operations in the Reagan Era (Boston: South End Press, 1987), p. 137.

38. FBI teletype of 11/8/82 from San Francisco to Director; Kerry Report, p. 400.

39. Marshall, Scott, and Hunter, The Iran-Contra Connection, pp. 137-38. Before now the "Frogman" bust had been linked to the contras by sealed court records, including a letter from Francisco Aviles Saenz "as international relations secretary of UDN-FARN, a contra military unit." The Kerry Subcommittee staff found the signature of Aviles certifying a "humanitarian aid" receipt signed by "Risa," a contra leader praised by Owen and linked by him to his "mother ship" project with Frigorificos (Kerry Report, p. 411; Robert Owen memo of August 2, 1985 to North, p. 6). Robert Owen, in a March 1986 memo for North, transmitted an allegation that Aristides Sanchez and his brother "Cookoo" had overseas accounts in the Netherlands Antilles. If so, he added, the U.S. Government "is being had" (Robert Owen memo of March 17, 1986 to Oliver North [Iran-Contra Exhibit RWO-13], p. 2). In an 1986 memo prepared for the Kerry investigation, former CIA mercenary Jack Terrell had noted that Aristides Sanchez and his brother "Cuco" were "said to have run gambling, prostitution and narcotics operations in Managua" in the Somoza era.

40. San Francisco Examiner, March 16, 1986; Kerry Report, pp. 58, 432.

41. Gutman, pp. 44, 56; Christopher Dickey, With The Contras (New York: Simon and Schuster, 1985), pp. 117, 152-55.

42. Marshall, Scott, and Hunter, p. 137; summarizing Seth Rosenfeld, San Francisco Examiner, June 23, 1986. Terrell also alerted the Kerry Subcommittee staff to Norwin Meneses, and reported that he had allegedly supplied a house in Miami for the wife and family of Enrique Bermudez, another hold-over from the Somoza era. Yet another Somoza-era figure in the case is Carlos Cabezas, one of the two principal smugglers convicted in San Francisco, who was, according to his federal probation report, a former member of Somoza's air force (Seth Rosenfeld, San Francisco Examiner, March 16, 1986, p. A-13; reprinted in Kerry Report, p. 433).

43. San Francisco Examiner, June 23, 1986.

44. San Francisco Chronicle, December 16, 1991, p. A9.

45. Letter of March 19, 1986 from Joseph P. Russionello, U.S. Attorney, Northern District of California; Kerry Report, pp. 396-98.

46. State Department Document #5136c, July 26, 1986; reprinted in Kerry Report, p. 268.

47. Kerry Report, pp. 58-59.

48. Kerry Report, p. 58, citing San Francisco Examiner, March 16, 1986.

49. Both the CIA and North appear to have taken steps to limit the influence of this original drug connection. Yet the connection, despite changes in personnel, appears to have survived. This is why, in the words of the Kerry Report, "The State Department selected four companies owned and operated by drug traffickers to supply humanitarian assistance to the Contras" (Kerry Report, p. 42). At the direction of either North or the CIA, the State Department merely continued the existing arrangements of the contra leaders in choosing contractors (Kerry Report, p. 44; Iran-Contra Affair, Appendix B, pp. 9, 47-78 [North]; Leslie Cockburn, Out of Control (New York: Atlantic Monthly Press, 1987), pp. 179, 278 [CIA]).

50. Dickey, pp. 153-56. Fernando "El Negro" Chamorro was also allegedly a recipient of Argentine money in 1981, while Cardenal apparently objected to the Argentine operation (Dickey, pp. 139, 152).

51. Marshall, Scott, and Hunter, pp. 68-70; cf. pp. 76-78. In May 1980 DEA officials in Miami seized 854 pounds of cocaine base and arrested two high-level Bolivian drug traffickers of the Roberto Suarez drug organization, which financed the June 1980 "Cocaine coup." The DEA officer who arranged the sting has recently charged that one of the suspects, Jose Roberto Gasser, son of WACL associate Erwin Gasser, "was almost immediately released from custody by the Miami U.S. attorney's office, without the case being presented to the grand jury....Within weeks of the Miami arrests, with the financing of the Suarez organization and Erwin Gasser, and the support of our CIA, a bloody coup was begun.... Bolivia soon became the principal supplier of cocaine base to the then fledgling Colombian cartels, making themselves the main suppliers of cocaine to the United States. And it could not have been done without the tacit help of DEA and the active, covert help of the CIA" (Michael Levine. Deep Cover ([New York: Delacorte Press, 1990], pp. 17-18, 103-04).

52. Dickey, p. 87. General Alvarez Martinez of Honduras, another key figure in the germination of the contras, had connections both to Argentina and to CAUSA, the political arm of the Sun Myung Moon Church that also played a role in the 1980 Bolivian "Cocaine coup." CAUSA became an important backer of the FDN in the United States, in alliance among others with Norwin Meneses.

53. Gutman, p. 40. The source of Pallais' largesse (estimated at $300,000 or more) is unclear. Some have speculated that his cousin Somoza was financing continental counter-terrorism

through Argentina and WACL (cf. Marshall, Scott, and Hunter, p. 77). Others have guessed that cocaine profits from Bolivia after the "Cocaine Coup" were distributed for this purpose.

54. Gutman, pp. 40, 49-52; Marshall, Scott, and Hunter, pp. 76-77. Carbaugh attended the 1980 CAL conference in Buenos Aires, met d'Aubuisson there, and made many trips in 1980-81 between Buenos Aires, d'Aubuisson, and General Alvarez in Honduras (Anderson, p. 227). Another early backer of the contras under Carter in 1980 was Major General Robert Schweitzer, then the U.S. Army's Director of Strategy, Plans, and Policy (Gutman, pp. 45-49). Later Schweitzer recruited Oliver North for Reagan's NSC, and still later, in retirement, Schweitzer became an arms supplier to the contras in partnership with John Singlaub of WACL.

55. Marshall, Scott, and Hunter, p. 22.

56. Anderson, Inside the League, p. 245.

57. Dickey, pp. 87, 90, 92; Kerry Hearings, II, p. 142 (testimony of Jose Blandon). CIA links to the MCRL and WACL in Costa Rica appeared to go back to the 1960s, when the CIA's drug-trafficking Cuban terrorist, Manuel Artime, with the help of Nicaraguan dictator Luis Somoza, established his base of military operations against Cuban shipping on another MCRL ranch (Warren Hinckle and William Turner, The Fish Is Red [New York: Harper and Row, 1981], p. 149). See Marshall, Scott, and Hunter, pp. 140-41, 273-74.

58. Anderson, pp. 179-82. One of the Anderson brothers was in Guatemala in 1982 with the former CIA contract agent Mitch WerBell, who was there to help Sandoval and Sisniega in a coup attempt against the new military strong man, Efrain Rios Montt. This was WerBell's last known coup attempt; he died soon after. Sisniega is now a fugitive in Honduras, wanted by Guatemalan authorities for terrorism.

59. Marshall, Scott, and Hunter, p. 78.

60. Naylor, pp. 167, 169, 410; New York Times, May 17, 1983.

61. So, until early 1984, did the chief Argentine protege and contra supporter in Honduras, General Gustavo Alvarez Martinez, who himself had been trained by members of the Argentine junta and enjoyed WACL backing (Anderson, pp. 227-32).

62. Horacio Pereira was arrested in Miami in December 1982. Carlos Cabezas, Julio Zavala and many others were arrested in February 1983 (Seth Rosenfeld, San Francisco Examiner, March 16, 1986, pp. A-l, 13; reprinted in Kerry Report, pp. 432-33).

63. Dickey, p. 38; Lernoux, In Banks We Trust (Garden City, New York: Anchor Press/Doubleday, 1984), p. 159; Peter Dale Scott and Jonathan Marshall, Cocaine Politics (Berkeley and Los Angeles: University of California Press, 1991), pp. 30-32.

64. Kerry Report, p. 59; Kerry Hearings, II, pp. 121, 133; Dinges, pp. 191, 279.

65. Kerry Hearings, II, p. 133. According to Blandon, this drug support was "part of what led to the Spadafora [murder] incident later." John Dinges writes that Spadafora informed DEA about the drug activities of Guachan Gonzalez, "one of his most bitter rivals in ARDE," whom he believed been contracted by Noriega to assassinate him in 1984. See John Dinges, Our Man in Panama (New York: Random House, 1990), pp. 191, 214, 239.

66. Kerry Hearings, III, p. 141. Noriega has been accused of responsibility for the 1981 plane crash. So have the CIA and the Sandinista government of Nicaragua. Both of the recent books on Noriega suggest that the crash was apparently an accident (Kempe, p. 112; Dinges, p. 122).

67. Kerry Hearings, III, p. 18; Dinges, pp. 112-14. The Kerry Report says that the arms delivered to overthrow Somoza (by Rodriguez and Carlton) "were purchased in Europe by Michael Harari and Jorge Krupnick, who worked with Noriega;" a footnote at this point cites the published testimony of Blandon (Kerry Report, p. 84). Both Blandon and Carlton actually testified that the arms were purchased, in Eastern Europe and on the black market, by Krupnick (Kerry Hearings, II, pp. 139, 192); neither responded affirmatively to Senator Kerry's question whether the arms came also from Harari. Elsewhere Blandon testified to "the arms resupply network that Noriega had, in which they obtained arms in different countries with the network of Cesar Rodriguez and that of Harrare [Harari]" (Kerry Hearings, III, p. 18). According to Kempe, "intelligence sources say [Harari's] real profits came from arms dealing in the region, often with the Mossad's station chief, Passat Ben Or" (Kempe, p. 120; cf. Dinges, p. 118). Elsewhere Pesakh Ben Or has been identified as the source of weapons, including RPG-7 grenade launchers, that were ostensibly delivered to the Honduran military, but in fact used by the contras (Marshall, Scott, and Hunter, pp. 115-16).

68. Kempe, p. 120; Dinges, p. 118; Dan Raviv and Yossi Melman, Every Spy a Prince (Boston: Houghton Mifflin, 1990), pp. 350-54 (arms); Victor Ostrovsky and Claire Hoy, By Way of Deception (New York: St. Martin's Press, 1990), pp. 165, 265 (drugs). Andrew and Leslie Cockburn, pp. 245-61, have the most extended treatment of Harari's alleged links to guns and drugs; unfortunately, despite a number of apparently diverse citations, most of their allegations derive directly or indirectly from the questionable witness Blandon. None of these sources confirm a direct relationship between Harari and the Cesar Rodriguez supply operation.

69. Kerry Report, p. 43. DIACSA was partly owned by the Guerra family of Costa Rica, whose airstrips had been used by Rodriguez and Carlton in their arms flights to El Salvador and the contras (Kerry Report, p. 47; Dinges, p. 113).

70. Frederick Kempe, Divorcing the Dictator (New York: Putnam's, 1990), pp. 236-57; Dinges, pp. 243-50; Kerry Report, p. 342ss. A third indictee was Antonio Aizprua, one of the four members of the Rodriguez-Carlton group identified by Blandon (Kerry Hearings, II, p. 115; cf. IV, p. 685).

71. "Guachan" Gonzalez may have been fingered to the Costa Rican intelligence agency DIS by his old rival Hugo Spadafora. Spadafora contacted DIS in 1984, after he heard that "Guachan" was plotting to assassinate him on behalf of Noriega. At this time Spadafora told his wife that "he had recently received information that Wachan was involved in drug trafficking — carrying drugs to the United States on the same planes and from the same Costa Rican airstrips used to land supplies for ARDE" (Dinges, pp. 191, 205, 213).

72. Terrell testified under oath, in a Costa Rica libel suit brought by John Hull against journalists Tony Avirgan and Martha Honey, that he heard Felipe Vidal say in 1985 of Eden Pastora, "We put a bomb under him the first time, but it didn't work because of bad timing" (Cockburn, Out of Control, p. 76; cf. Tony Avirgan and Martha Honey, La Penca: On Trial in Costa Rica [San Pedro, Montes de Oca: Editorial Porvenir, 1987], p. 88; Kerry Report, p. 723. Terrell also testified that Vidal told him that Amac Galil (the suspected assassin in the La Penca bombing) was from the Israeli intelligence agency Mossad (Kerry Report, p. 723; Avirgan and Honey, p. 87).

73. Avirgan and Honey, La Penca: On Trial, p. 47; Avirgan and Honey, La Penca: Report of an Investigation (Washington: Christie Institute, n.d.), p. 28; cf. Kerry Report, p. 458.

74. Kerry Report, pp. 54-55; Kerry Hearings, II, pp. 115-17, 205-07; cf. IV, pp. 693-94. Carlton was told "that one of the murderers was a Contra activist named Carlos Eduardo Zappcroli,

who had the drugs flown to a strip on the farm owned by John Hull....The Costa Rica officer who was Carlton's source said Zapporoli used the money from the drugs to buy weapons for the Contras" (Dinges, p. 211; cf. Kempe, p. 238). Blandon (not Carlton as the Report states) also testified to the truth of the story, told earlier to the Subcommittee by Terrell, that the Cali cartel kidnapped Hull's daughter in an attempt to force the return of the cocaine.

75. A Robert Owen memo of August 2, 1985, corroborates his sworn deposition testimony that Cesar's Southern Opposition Block (BOS) was not receiving North funds or Calero funds (Deposition of Robert Owen, Oct. 1, 1987, p. 65; Iran-Contra Affair, Appendix B, pp. 20, 852).

76. Morales testimony; Kerry Hearings, III, p. 298.

77. Kerry Report, pp. 53-58; Kerry Hearings, IV, p. 691. Carlos Lehder testified at the Noriega trial in 1991 that he too had heard of John Hull's drug activities.

78. Kerry Hearings, I, pp. 77, 93, III, p. 305 (Hull); I, pp. 154-57 (Crone).

79. Kerry Hearings, I, pp. 57, 66, 68; III, pp. 257, 262.

80. Kerry Report, p. 458; Miami Herald, August 6, 1981.

81. Kerry Report, p. 458; Kerry Hearings, I, pp. 154-55. Castro and Bonet also saw the same Col Paniagua who helped bring Felipe Vidal to Costa Rica.

82. Kerry Hearings, I, pp. 76-80, 93, 192; III, p. 305; Costa Rica, Office of Judicial Investigation, Document No. INF.052-DV-89 re Indictment of John Hull, January 12, 1989; certified translation, p. 6 (Robelo).

83. Kerry Hearings, I, pp. 57, 68; III, pp. 256-57.

84. Kerry Hearings, III, pp. 258-59.

85. Kerry Hearings, III, p. 305; cf. I, pp. 77, 93.

86. Phone conversation with the author, December 27, 1991. In 1985 Velez was shot and killed in Medellin.

87. Kerry Hearings, III, p. 311.

88. Kerry Report, p. 471.

89. Morales confirmed to me his testimony that the DC-3 flown by Betzner, tail number PPEDC, was the same one given by him in 1984 "to the CIA" (Kerry Hearings, I, p. 66). Frank Castro was a part-owner with Porfirio Bonet of a travel agency in Hialeah (in northern Miami) which Castro, a resident of the Dominican Republic, used as his Miami address. Hull's neighbor, Bill Crone, testified that on his mid-1983 trip to Miami "the gentleman from the travel agency" in northern Miami, who had visited Costa Rica, took him to Corvo's camp; Crone also discussed "with the gentleman at the travel service...a DC-3 they was wanting to get into Costa Rica" (Kerry Hearings, I, pp. 155-57). Another FBI witness, Joseph Marcos, told the FBI that he, Rene Corvo, and Frank Castro, had established the camp.

90. Robert Owen memo of November 5, 1984 to North, p. 2.

91. Cockburn, p. 170.

92. Kerry Hearings, I, pp. 55, 191. Hull and Duran were also reimbursed for their Miami expenses by Aguado (presumably on behalf of ARDE or the CIA; Kerry Hearings, I, p. 199).

93. Kerry Report, pp. 458 [Castro], 425 [Marcos]; Kerry Hearings, I, pp. 150-57 [Crone]; I, p. 79; III, p. 310 [Morales]); Iran-Contra Affair. Appendix B, 20, 641 [Owen]; Ben Bradlee, Guts

and Glory: The Rise and Fall of Oliver North (New York: Donald I. Fine, 1988), p. 201 [Rivas]. Crone told the Kerry Committee that he and Rivas came to Washington "because we were very upset with Pastora" (Kerry Hearings, I, p. 151).

94. In January 1985 Owen set up his own Council for Democracy, Education, and Assistance, drawing on funds from the conservative activist Carl "Spitz" Channell to lobby on behalf of the UNO. Besides Owen, the CDEA's three directors include retired U.S. Air Force General John P. Flynn, whom Owen met through John Hull, and Robert Wall, whose name appears in North's notebook.

95. Kerry Hearings, III, p. 278. It has been suggested, but not proven, that the motive for Manuel Noriega's gift of $100,000 in July 1984 to "a Southern Front Resistance leader" may have been to restore the broken Noriega-Pastora connection through the new the Pastora-Octaviano Cesar alliance at this time.

96. Kerry Hearings, I, pp. 54-55; III, pp. 278-80; Cockburn, pp. 169-70. Pastora had just heard in Washington from a CIA officer, "Alberto Fenton," that his CIA aid had been definitively cut off (Washington Post, July 3, 1986).

97. Kerry Hearings, III, pp. 308, 330-31; Cockburn, p. 170. Those on the plane were Morales, Marcos Aguado, "Popo" Chamorro, and Octaviano Cesar.

98. Kerry Hearings, I, pp. 57, 68; III, pp. 256-57.

99. Kerry Report, p. 55; Kerry Hearings, III, pp. 262-67.

100. Kerry Hearings, III, p. 307.

101. Paul Eddy, with Hugo Sabogal and Sara Walden, The Cocaine Wars (New York: W.W. Norton, 1988), p. 332: "To the chagrin of the DEA, Morales was allowed bond - initially of $2 million -- his trial was endlessly delayed, and he was given extraordinary freedom by the court to travel abroad. He was granted permission to travel to the Bahamas, Cuba (twice), the Dominican Republic, Panama, and Mexico."

102. Cockburn, p. 170.

103. Eddy, p. 335.

104. Kerry Hearings, I, pp. 96-97. There is a rumor that in an earlier briefing Morales had talked of giving political contributions in the U.S. as well.

105. Tulsa World, April 7, 1990, p. A-1. Carrasco also named other contra recipients, but the U.S. Attorney on the case persuaded the judge "that naming the other contras would damage on-going federal investigations into the matter." Morales testified under oath about five flights of drugs for the contras (Kerry Hearings, III, p. 310).

106. Kerry Hearings, IV, pp. 680-81 (testimony of Werner Lotz); cf. Kerry Report, pp. 47-48, 342. DIACSA's chief owner, Alfredo Caballero, "was an important supplier of airplanes and equipment to the Contras" (Dinges, p. 212). In 1983-84 Caballero supplied Pastora (Kerry Hearings, II, p. 204), but in 1984 he apparently shifted his allegiance with Fernando Chamorro to the FDN, when he became a friend of the FDN supply chief Mario Calero. "During 1984 and 1985...the FDN chose DIACSA for 'intra-account' transfers. The laundering of money through DIACSA concealed the fact that some funds for the contras were through deposits arranged by Lt. Col. Oliver North" (Kerry Report, p. 48). Other personnel from DIACSA in Costa Rica were associated with the Jorge Morales cocaine connection.

107. Joel Millman, Columbia Journalism Review (September-October 1986), p. 50; Washington Post, December 26, 1985.

108. Eddy, p. 333; Kerry Hearings, I, p. 85; III, pp. 309-10, 328. Originally the plane had been loaded with 420 kilos; all but 80 disappeared at Great Harbour in the Bahamas at the time of seizure.

109. Cockburn, p. 171.

110. Memo of April 1, 1985; Kerry Report, p. 42.

111. Christie Institute Deposition of Alberto Guevara Bonilla, p. 32.

112. In this deteriorating situation the Morales operation appears to have become increasingly competitive with that of the Miami-based Cubans, to the point that by 1986 Morales and a former Cuban American ally, Luis ("Kojak") Garcia, were threatening each other's life (Eddy, The Cocaine Wars, p. 334; cf. Kerry Hearings, I, p. 81).

113. Eddy, pp. 332-37.

114. Kerry Report, pp. 49-53.

115. San Francisco Examiner, April 24, 1986, p. A13. One month earlier the U.S. Embassy in Costa Rica reported that "'Popo' Chamorro is alleged [deletion] to be involved in drug trafficking" (Deposition of "Tomas Castillo," exhibit 9, Iran-Contra Report, Appendix B, Vol. 3, p. 353; CIA Cable from San Jose to Washington, March 26, 1986).

116. Gutman, p. 203: "With North's help, Secord sold arms to the rebels starting in 1984, delivered them in the course of 1985, and took over the entire resupply operation in 1986."

117. Kerry Report, p. 45; citing grand jury statements of Carlos Soto on file with U.S. vs Rodriguez, 88-0222, USDC, Northern District of Florida, September 29, 1987, and Kerry Hearings, II, pp. 260-61; cf. Kerry Report, pp. 298-341. Soto told the grand jury of his acquaintance with Wilfred Navarro, a former CIA Cuban associated in an Angola coup plot directed by former Watergate burglar Frank Sturgis p. 341; Parapolitics 6, p. 32.

118. Kerry Report, p. 45.

119. Owen memo to Oliver North of March 17, 1986, p.4. According to Martha Honey, Steven Carr, now dead, told her that Nunez was at this time working on a stratagem to extract money from NHAO for boats that could be used for drug-smuggling.

120. Without that deletion, Owen could hardly have claimed, as he did claim under oath in the Iran-Contra Hearings, that the Christie Institute case "is absolutely scurrilous and there's no truth to it" (Testimony of Robert Owen, May 19, 1987, U.S Congress, Iran-Contra Investigation Joint Hearings, pp. 100-2, 402).

121. Kerry Report, p. 61; cf. p. 374; cf. Deposition of Robert Owen, May 6, 1987, p. 5; Iran-Contra Affair, Appendix B, pp. 20, 734.

122. Kerry Report, pp. 415-24. The plane's arrival at the Hull ranch (at a time when Richard Secord was trying to replace the drug-linked arms suppliers) was witnessed by Oliver North's representative, Robert Owen, who to his credit recognized the shipment as a "problem" and reported it promptly to North (Deposition of Robert Owen, May 4, 1987, p. 30; Iran-Contra Affair, Appendix B, Vol. 20, 665; Owen memo to Oliver North of March 26, 1985, p.1; March 27, 1985, p. 1).

123. The assurances of CIA legislative liaison John Rizzo are recorded not only by Kerry's staff but also by Thomas Marum, a member of Reagan's Justice Department who was present (Kerry

Report, pp. 159, 1008, 1012-13; cf. pp. 804, 864).

124. Oakland Tribune, February 15, 1990.

125. Kerry Report, p. 374.

126. Marshall, Scott, and Hunter, The Iran-Contra Connection, pp. 47, 134-36.

127. Kerry Report, pp. 458-59.

128. Kerry Report, pp. 414, 365-70, 301.

129. Kerry Report, pp. 416-19.

130. Kerry Report, p. 849; cf. p. 865; Cockburn, pp. 156-57.

131. Kerry Report, p. 61 (U.S. v. Corbo, SD Florida, 1988); Kerry Report, p. 45 (U.S. v. Luis Rodriguez, 87-01044, ND Florida; U.S. v. Luis Rodriguez, 88-0222 CR-King, SD Florida).

132. Kerry Report, p. 388 (North Diary for 9/4/84, Q0543); Owen memo of November 26, 1985, p. 3.

133. Owen memo of March 17, 1986, p. 4. According to this memo, "a fishing company is now being formed in Limon, Costa Rica to provide cover for the boats." A later Owen memo of April 7, 1986, confirms that the shrimp boat operation had established a cover in Limon, Costa Rica. Jack Terrell told Washington investigators that in 1986 Vidal and two associates were briefly arrested in Limon, and then released, in connection with the discovery of cocaine on board an airplane. He also claimed that a partner with Chanes in the Limon fishing company was Watergate burglar Eugenio Rolando Martinez, whom Howard Hunt identified in a Congressional Hearing as an informant to the CIA on Cuban exile narcotics involvement (Nedzi Hearing, 543); and who has been named by others as a government informant in the CORU-linked narco-terrorist case of the World Finance Corporation (cf. Hank Messick, *Of Grass and Snow).* Martinez is a long-time close ally of his old friend Felix Rodriguez, with whom he served in the CIA's Operation 40, closed down in the early 1970s because of its cocaine involvement (Marshall, Scott, and Hunter, pp. 37, 45). Martinez is also said to be extremely close to his former son-in-law Raul Diaz, the Miami detective (and friend of Felix Rodriguez) whose agency was allegedly hired by Eastern Airlines "to fabricate information" against their pilot who went to the FBI (Eddy, p. 339; Kerry Hearings, II, p. 57). Kerry Committee Counsel Jack Blum was allegedly persuaded by his investigations that Diaz was "the 'cut out' between those nether worlds of espionage and drug trafficking, the 'link man' between the Cartel and the CIA" (Eddy, p. 339). If so, Diaz would appear to have inherited the mantle of his father-in-law Martinez.

134. Cockburn, p. 89. This portion of Fernandez' ("Tomas Castillo"'s) testimony was censored.

135. Miami Herald, February 16, 1987. Martha Honey and Tony Avirgan interviewed ARDE officials and investigators in Costa Rica who recalled Vidal as someone who "had spoken in both Miami and Costa Rica about the need to 'liquidate' Pastora" (La Penca Report, p. 28).

136. Iran-Contra Affair, pp. 106-09; Deposition of Kevin W. Currier, Executive Session, May 5, 1987, pp. 6,46-47; Iran-Contra Affair, Appendix B, pp. 8, 97, 137-38.

137. Kerry Report, pp. 442-45.

138. Kerry Report, p. 378; Miami Herald, August 6, 1981; Penny Lernoux, In Banks We Trust, p. 116; Eddy, The Cocaine Wars, pp. 89-91, 180.

139. Kerry Report, pp. 371-81, etc.; Deposition of Kevin W. Currier, Executive Session, May 5, 1987, pp. 6, 8; Iran-Contra Affair, Appendix B, pp. 8, 97, 99.

140. Kerry Report, pp. 460 (Luis Crespo), 413, 425, 460 (Perez). Luis Crespo lost his right hand in March 1974, when a bomb he was preparing in Miami exploded prematurely; his companion, Humberto Lopez, Jr., lost an eye. Humberto Lopez had been part of the goon squad which Watergate burglar Bernard Barker brought to Washington to attack Daniel Ellsberg in 1972; he was also the founder of the Frente Nacional por la Liberacion de Cuba, later expanded into CORU by Frank Castro (Hinckle and Turner, p. 318; Carlos Rivero Collado, Los Sobrinos del Tio Sam [Havana: Editorial de Ciencias Sociales, 1976], pp. 335-36). At the time of the March 1974 FNLC explosion, the Frente was based, significantly, in Somoza's Nicaragua. Rafael Perez alias Torpedo and the *pragmatistas* (founded by Eduardo Paz) had been responsible for the April 1972 bombing of the Cuban commercial office in Montreal (Rivero Collado, p. 331); both Paz and Perez joined El Negro Chamorro on the contra Southern Front. Other *pragmatistas* (after Perez had split with them) are said to have murdered former Brigade 2506 President Juan Peruyero in January 1977, after he had begun to talk to a Miami Grand Jury about CORU (cf. Miami Herald, December 30, 1983).

141. Kerry Report, p. 460 (Ramon Sanchez). For the incident, see Hinckle and Turner, p. 201.

142. BNDD Bulletin, September-October 1970; cf. Hank Messick, Of Grass and Snow (Englewood Cliffs, NJ: Prentice Hall, 1970), p. 6.

143. John Cummings, "Omega 7," Parapolitics/USA, No. 5.

144. Hinckle and Turner, p. 314.

145. Horace Sutton, in Peter Dale Scott, Paul Hoch, and Russell Stetler, The Assassinations: Dallas and Beyond (New York: Random House, 1977), p. 395; Kruger, pp. 147-48.

146. Marshall, Scott, and Hunter, pp. 42-49; Peter Dale Scott, in Scott, Hoch and Stetler, pp. 353-74.

147. Significantly even the Honduran kingpin, Juan Ramon Matta Ballesteros, entered the international cocaine trade as an associate of the Miami Cuban Alberto Sicilia Falcon (Shannon, p. 61).

148. John Cummings and Ernest Volkman, "Snowbound," Penthouse (July 1989), p. 66; cf. Howard Kohn and Vicki Monks, Rolling Stone, (November 1988). Gregg has denied the charge, or that he ever (as alleged) met Harari. Andrew and Leslie Cockburn respond that Gregg has consistently, and unpersuasively, denied having any knowledge of contra operations at all, even though a North notebook entry for September 10, 1985 "records a meeting with Gregg [an old friend of Felix Rodriguez] and the chief of the U.S. Military Advisory Group in El Salvador, Col. James Steele [who oversaw the Ilopango operation], to discuss 'log[istic] support for the contras'" (Andrew and Leslie Cockburn, Dangerous Liaison: The Inside Story of the U.S.-Israeli Covert Relationship [New York: Harper-Collins, 1991], p. 256). The stories about "Operation Black Eagle" derive from disputed sources, and must be considered unproven. So, at present, must the repeated allegations of Israeli pipelines through Ilopango to the contras, through either the so-called "Arms Supermarket" of Mario Dellamico, or the so-called Harari network, named after Noriega's adviser Mike Harari, a veteran of Israeli intelligence. Both of these arms-supply operations have been alleged to have been financed through drugs. Although the Harari network of planes and pilots undoubtedly supplied contras in Costa Rica, the only source linking it to Ilopango is Noriega's former political adviser, Jose Blandon. Blandon told reporters and the Kerry Committee that Felix Rodriguez received Harari's arms at Ilopango; and he told the Cockbums that Rodriguez was involved in "dirty business," because "Harari was involved with drugs and Harari was working with him." (Andrew and Leslie Cockburn, pp. 256-57). Rodriguez denied under oath having met Harari, or that he ever heard of "some kind of Israeli network" until an ABC reporter, Frank Snepp,

asked him about it. (Kerry Hearings, IV, p. 347; cf. p. 417). However Rodriguez confirmed working ("at one point of time in the 1980's in Guatemala") with Mario Dellamico of the "Arms supermarket" ("I saved his life once and I just will not discuss anything about him"). Rodriguez added that Dellamico "used to visit the place where I was [Ilopango], where he had his own relationship...He got his own contact and he visited the place and I saw him two or three times in Salvador" (Kerry Hearings, IV, pp. 368-69). Here it is relevant to recall that North's notebook entry for September 10, 1985, records a meeting with Gregg, Rodriguez' patron in Washington, and Col. James Steele, the U.S. overseer of Ilopango, to discuss logistic support for the contras. For "support, according to [North]'s notes, included arms from Mario Dellamico," a close associate of the Guatemala-based Israeli arms dealer Pesakh Ben-Or (Andrew and Leslie Cockburn, p. 256). Other witnesses claim to have seen photographs of large Israeli transport planes, showing the Star of David, at Ilopango. Such claims, we repeat, have yet to be documented.

149. Theodore Draper, A Very Thin Line: The Iran-Contra Affairs (New York: Hill and Wang, 1991), p. 353.

150. Joel Brinkley, New York Times, January 20, 1987; Scott and Marshall, p. 166.

151. George Lardner, Jr., Washington Post, January 20, 1987. Cf. Eddy, p. 335: "in Miami, there were persistent, if unproven, reports that drugs had been carried on the planes of Southern Air Transport, a locally based cargo airline that was once a CIA 'proprietary' and that retained suspiciously close links to the agency."

152. Newsday, January 21, 1987.

153. New York Times, February 24, 1988. This charge was investigated by the Kerry Subcommittee at a closed session, but does not appear in the Report. Cf. Kerry Report, p. 169, noting that "Wanda Doe" was heard among the Committee's "Closed depositions and hearings."

154. Iran-Contra Report, p. 287. The Committees' only reference to drug-smuggling by the Ilopango resupply operation was in an appended memo, "Allegations Re: Contra Involvement With Drug Smuggling," by one of their investigators, Robert A. "Bermingham: "During the course of our examination, the role of U.S. government officials who supported the Contras' and the private resupply effort, as well as the role of private individuals in resupply, were exhaustively examined....There was no information developed indicating any U.S. government agency or organization condoned drug trafficking by the Contras or anyone else" (Iran-Contra Report, pp. 630-31). But in the Committees' deposition of DEA Administrator Jack Lawn the same investigator, Robert Bermingham, had excluded the "private resupply effort" from his questioning on this point, asking Mr. Lawn only about "any involvement by the contras as an organization or its leadership or any government agency or officials involved in sanctioning drug trafficking" (Iran-Contra Report, Appendix B, Vol. 15, p. 858; cf. pp. 824-27). Mr. Bermingham's denials of contra drug involvement were based on a totally false account of another committee's inquiries, and drew an angry rebuttal from the counsel of the committee in question (see Scott and Marshall, Cocaine Politics, pp. 179-81).

155. At the International Center for Development Policy in Washington, Jack Terrell reviewed the Southern Air Transport logs found in the downed SAT transport of Eugene Hasenfus; he then told U.S. reporters that (as later reported by the Washington Post) they confirmed SAT flights to Barranquilla at the time specified by Wanda Doe. Immediately after this, he claims, his office at the International Center for Development Policy in Washington was broken into, and the logs stolen. See Scott and Marshall, Cocaine Politics, p. 150.

156. Jonathan Kwitny, Wall Street Journal, April 22, 1987.

157. Michael Tolliver, who says that he was recruited into the network by Seal in 1985, has claimed that "on one return flight, after ferrying weapons to the Contras in Honduras, he flew more than twelve tons of marijuana to Homestead Air Base in Miami [a base to which Seal himself flew a C-123 filled with cocaine from Medellin, as part of a DEA sting]. He says he was paid $75,000 and left the Contraband in custody of the Air Force. A Homestead spokesman said he had no knowledge of the story" (Ben Bradlee, Guts and Glory: The Rise and Fall of Oliver North [New York: Donald I. Fine, 1988], p. 404). Tolliver's story was considered not credible by the Kerry Committee staff.

158. Douglas Vaughan interview with Sebastian "Guachan" Gonzalez.

159. Costa Rica, Office of Judicial Investigation, Document No. INF.052-DV-89 re Indictment of John Hull, January 12, 1989; certified translation, pp. 10, 13, 17, 39; cf. Kerry Hearings, I, pp. 79, 193; III, p. 327.

160. Kerry Report, p. 42 (Robelo); San Francisco Examiner, March 16, 1986; Kerry Report pp. 58, 432 ("Frogman").

161. San Francisco Chronicle, December 16, 1991, p. A9.

162. Jonathan Kwitny, "Money, Drugs, and the Contras," Nation, August 29, 1987, p. 163. Morales confirmed this testimony to me in December 1991.

163. Kerry Hearings, III, pp. 255-59 (Betzner); cf. I, pp. 66-67, III, pp. 305-06 (Morales).

164. Kerry Hearings, III, pp. 258-59.

165. Kerry Report, p. 55.

166. Kerry Hearings, I, pp. 66-67. For discussion of the involvement of Costa Rica CIA Station Chief Joe Fernandez ("Tomas Castillo"), see e.g. Iran-Contra Report, pp. 142-44.

167. Kerry Hearings, III, pp. 282-84.

168. Kerry Hearings, I, pp. 77, 93; III, p. 305. In addition the Hondu Carib DC-4 of Frank Moss (discussed above) had been used by Ron Martin of the Arms Supermarket to fly arms to the contras; it had also been suspected by U.S. Customs of dropping narcotics (from SETCO) to the isolated Louisiana farm of Barry Seal (Kerry Report, pp. 44, 285, 296). And the C-123 which Barry Seal undeniably used to fly Medellin cocaine into Homestead Air Force Base (Scott and Marshall, Cocaine Politics, p. 101) later crashed with an SAT pilot and copilot (Wallace Sawyer), and with Eugene Hasenfus.

169. Washington Post, December 26, 1985. For Barger's and Parry's difficulties in getting the story out, see also Rolling Stone, September 10, 1987.

170. Millman, Columbia Journalism Review (September-October 1986), p. 50.

171. Unnamed AP staff member, as quoted in Millman, Columbia Journalism Review (September-October 1986), p. 50.

172. Millman, Columbia Journalism Review (September-October 1986), p. 51. This looks like an allusion to the relationship between ARDE lieutenant Octaviano Cesar and Jorge Morales, who was arrested three weeks later. Parry was quoted in Rolling Stone as saying that when he and Barger proposed follow-up on North and the drug story in early 1986, Washington bureau chief Charles Lewis "took me aside and said, 'New York doesn't want to hear any more on the drug story. We think you shouldn't be doing any more on this'" (Rolling Stone, September 10, 1987; Hertsgaard, p. 315). Lewis denied making the statement. After AP correspondent Terry Anderson was finally released by his Beirut captors in late 1991, it was revealed that AP officials had met in 1985 with Oliver North to secure Anderson's freedom: an obvious factor

in impeding publication of the Barger-Parry story. But another AP CIA-drug story was blocked in 1988, long after North had left his office.

173. Millman, Columbia Journalism Review (September-October 1986), p. 51.

174. "Feudal landlords whose buildings are threatened with confiscation by the Taraki government [of Afghanistan] are bringing the produce from their poppy crops into Pakistan, and then use the proceeds to buy rifles, explosives, and other weapons, Pakistani arms merchants report that their new customers come in daily and business is booming" (MacLeans, April 30, 1979, quoted in Kruger, p. 221); Zbigniew Brzezinski, Power and Principle (New York: Farrar, Straus, Giroux, 1983), p. 427.

175. J.H. Lowinson and David F. Musto, New York Times, May 22, 1980; quoted in Kruger, p. 226.

176. New York Times, June 30, 1983; April 12, 1984; June 18, 1986. Cf. Jonathan Marshall, Drug Wars, pp. 49-50; Alfred W. McCoy, The Politics of Heroin, p. 452.

177. Newsweek, May 13, 1985, p. 41.

178. James LeMoyne, New York Times, February 12, 1988, I, p. 1.

179. Extra! (November/December 1991), p. 14.

180. The targeting of specific countries is strange on the face of it, given the informed press reports that control centers for global drug-trafficking, of cocaine as well as of heroin, had already for some time been relocated to neighboring countries, specifically Brazil and Venezuela. The involvement of Sicilian mafia families (Cuntrera and Caruana) in the latter is particularly suggestive; they appear to be an extension of the old Montreal mafia connection which passed on so much Corsican and Sicilian mafia heroin in the 1950s and 1960s (Business Week, April 18, 1988, pp. 48-51). In like manner the so-called Steve Kalish drug operation, which supplied the evidence for Noriega's indictment in Tampa, appears on the basis of Kalish's own congressional testimony to be an extension of the old Detroit Teamster connection which received and distributed the heroin from Montreal. The Corsicans, Sicilians, and Detroit Teamsters have of course all been linked to CIA covert operations as well as to each other and to the Cuban exiles in Miami (McCoy, pp. 15-52; Hougan, Spooks, pp. 107-09; Kruger, pp. 14-15, 143).

181. Memorandum from Jose Blandon to Kerry Subcommittee, February 8, 1988; reprinted in Kerry Report, p. 493.

182. Mills, pp. 584, 862, 876-79.

183. Rensselaer W. Lee III. The White Labyrinth: Cocaine and Political Power (New Brunswick, NJ: Transaction Publishers, 1989), p. 106: "Rodriguez, whose arrest in mid-1985 resulted largely from a DEA investigation, had some important associates. His drug ring allegedly included several PIP generals as well as the private secretary, Luis Lopez Vergara, of Fernando Belaunde Terry's Minister of Interior, Luis Pereovich Roca."

184. Mills, pp. 575-76.

185. Amnesty International USA News Release, October 11, 1989.

186. Lee, pp. 164-65.

Drug Lords and Narco-Corruption: The Players Change but the Game Continues

Peter A. Lupsha

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It is impossible to identify a beginning date for corruption in Mexico, for it is as eternal as the Aztec sun. It is "both the glue that holds the Mexican system together and the oil that makes it work."[1] *As* "oil," corruption "makes the wheels of bureaucracy turn." As "glue," it "seals political alliances." As such, it is the end product of Mexican public life, which has been described as "the abuse of power to achieve wealth and the abuse of wealth to achieve power."[2]

Corruption is such a persistent fact of Mexican political life that the U.S. government handbook on Mexico includes it under, "The Rules of Political Competition." It notes that there are two major forms of corruption, "la mordida," the bribe paid to low level officials, and large-scale corruption, "such as kickbacks from contracts, insider financial deals and the like."[3]

Such is the setting into which one must place the dance of narco-corruption in Mexico. A dance which over time exhibits certain rhythms, repetitive steps, and patterns. While these are not mutually exclusive, certain patterns or rhythms do seem to appear and reappear at various historical moments. To help order the argument, I refer to these more dominant themes as phases, to separate different periods of time. But as in the beat of a complex dance, they tend to be present in varying degrees at all times.

Phase I (before 1960 to approximately 1965), the dance of narco-corruption appeared to be dominated by the rhythm of the "La Plaza." In phase II (from approximately 1962-1982), the "Direccion Federal de Seguridad" (DFS), the political police arm of the Secretariat of Government (Gobernacion), began to dominate the dance. Although the rhythm of "La Plaza" and that of Mexican Federal Judicial Police (PJF), and the military

were still present. From 1982-1985, these latter rhythms came to dominate phase III. Phase IV, (1985-1990), witnessed a decentralization of narco-corruption with the military, State, and individual officials adding their regional and state rhythms to the dance. Then in Oct 1990, Phase V emerged and appears to be a rhythmic return to the centrally controlled steps of phases II and III. But as phase V is still forming, we must wait and see.

The phase notion helps order the various historical and situational events within which narco-corruption in Mexico occurs. While named for the concept or governmental agencies which appear most dominant to the time period, the phases are also a function of the drug trafficking patterns and organizations active at any particular time.

Relatively small-time organizational levels (IV and V) of narco-corruption are haphazard and episodic. Only at level III does it become organized or systematized and then within a single state or region. Traffickers at these three levels tend to be outside the legitimate political upper-world of Mexican elite life and national politics. It is only at the higher levels of drug trafficking that success captures the attention of police and military officials intimately linked to the center. While such traffickers may have specific regional bases, they also have ties to international drug organizations, access to capital, and protection from the highest levels.

As there is fluidity in any dance, so too in narco-corruption movement and change are commonplace. Patterns blend and shift as the pressures, tempo, and music of the environment changes. Thus, while these levels are all contained in each phase, some are more common in one phase then another, and the openness of the relationships of corruption will, at times, be more discrete and masked than at others.

Phase I

Historically, from the turn of the century to the mid-1930s, Chinese immigrants to Mexico tended to dominate drug trafficking, particularly in the states of Baja, Sinaloa and Sonora. Riots, anti-Chinese pogroms, and property confiscations in the '30s, however, worked to transfer drug trafficking into Mexican hands. The Papalote and Ignacia Jasso Gonzales

organization of Juarez-El Paso became one of the best known of this period. Although, Jorge Moreno Chaubet was perhaps the premier drug trafficker in Mexico in the late 1930s through 1950s. They were followed, in the drug-boom years of the 1960s by Pedro Aviles Perez in Culiacan, Manuel Carrasco in the Big Bend country of Chihuahua, and the Herrera family in Durango. This was time of "La Plaza," or as Terry Poppa notes, "Quien esta manejando la plaza?" (Who is in control?)[4] Who runs the village with its central plaza dominating the town.

Under the concept of "La Plaza" the drug trafficker bought his "license" or "franchise" from the local "jefes," the police comandante, the mayor, the military or in some situations after negotiations with the local patron, mine owner, large land owner, rancher or major businessman. In short, the key power elite figure or figures in the establishment. Normally, they not only represented power money and the "personalismo" that in Mexico goes with it, they also represented the Institutional Revolutionary Party (PRI) which has dominated Mexican politics since the 1920s. Large scale corruption in Mexico is channeled, and often flows through the variegated familial and elite associational patterns to Mexico City via the PRI.

Until recently, PRI's centralized control reached from the Federal District of Mexico through the state governors and down to the local municipal governments in direct lines. For the trafficker at the "La Plaza" level, his payments went to locals who passed part of it up to the patrons they owed their positions to. Should a trafficker have a major business success with resulting notoriety, he would then likely be visited by the "Judicales" (State level agents of law enforcement) and later by the "Federales" (agents of national police agencies) and operating "franchises" would have to be also purchased directly from these agencies.

The purchase of the "plaza" does not guarantee the holder with immunity and or total protection over time. For the dance is a dynamic thing, regimes change, personnel are transferred, rival traffickers offer larger payments, distrust occurs. A trafficker can then find himself, arrested, tortured, and jailed. With luck, other bribe payments, he may receive his "amparo," (a writ issued by federal justices on behalf of citizens who claim their constitutional rights have been violated by a government official. The writ provides freedom and a stay of government action until the Mexican Supreme Court can rule on the matter.) and be permitted to traffic in another

region, or on a smaller more controlled scale.[5] Without luck, he is likely dead.

The growth of drug trafficking in the 1960s and '70s led to a rapid expansion of the market and, in time, a shake-out of the less capitalized, less ruthless, less connected, independent or more marginal, traffickers. At the same time, the larger, more efficient organizations found protection under the authorities in phase II. In rare cases, organizations like the Herrera family, so dominated the plaza and so extended their interrelated familial ties and influence, that they controlled entire regions and states. Rather than the extortionate police practices found among low level traffickers, accommodations were made for families like the Herreras and a "modus vivendi" established for all concerned. In Mexico, a number of such elite-connected families exist. They are rarely mentioned named in the press, and are considered "Intocables," untouchables.

Phase II

The Federal Security Directorate (Direccion Federal de Seguridad-DFS) was formed In the late 1940s. It was constructed out of the elite military of the Presidential Guards Brigade and key presidential assistants. Its purpose was to act as the Mexican government's "political police" and was, "responsible for investigating matters affecting national security as well as other special investigations and duties as directed by the President."[6] Located under the Secretariat of Government (Gobernacion), it has frequently been viewed as more an internal CIA, than a branch of law enforcement, like the FBI.

It is said that history and past associations often contain the seeds of the behavioral reinforcers of the present. In this light it is of interest that of the eight directors of DFS all but one, (Antonio Zorrilla) were graduates of Mexico's elite and prestigious West Point, the Colegio Militar.[7] As we shall see, from such socialization, uniform training, and the male-bonding of growing up, come deep associations, trust, loyalties, and the life-long ties that bind.

The legal status of DFS was purposefully left vague. While it had no arrest powers, it had authority to detain persons for up to 72 hours. While it had no evidential authority, it had the power to carry out investigations and query other law enforcement agencies in support of evidence collection. It also had authority to make use of a wide range of surveillance techniques. And, like many other Mexican police agencies, DFS agents wore no uniforms.

DFS's primary mission in the 1960s was as an anti-guerrilla force to combat the National Revolutionary Civic Association (ACNR), and later the Party of the Poor and the Mexican People's Party. As the guerrilla organizations mobilized in the cities, DFS formed the White Brigade (La Brigada Blanca) under Miguel Nazar Haro to neutralize them. Using Military Camp Number One the White Brigade is said to have tortured, killed and "disappeared" hundreds of Mexicans considered threats to the regime.[8]

By the mid-1970s, Nazar Haro was DFS Sub-Director under DFS Chief Javier Garcia Paniagua. By 1977, he had risen to the Directorship of DFS, only to resign under pressure in 1982 after being indicted in Los Angeles as part of an international stolen car ring run by DFS Comandantes. According to Mexican press reports, the criminality and ruthlessness of Nazar Haro's White Brigade years and leadership of DFS, continued under his successor Jose Antonio Zorrilla Perez, as DFS became even more intimately connected to the drug trafficking elite.[9]

From its inception DFS had interactions with drug traffickers. One if its founders Capt. Rafael Chavarri, later became an aide to Jorge Moreno Chaubet one of the historic figures of Mexican drug trafficking.[10] Nazar Haro, as DFS chief, received a gift of a 30 foot speedboat from David Walker a known drug trafficker.[11] His successor, Antonio Zorrilla signed the DFS, and Gobernacion Agent Identification cards that Rafael Caro Quintero and other members of the Guadalajara cartel were carrying when they were arrested.[12] According to the revelations of the Camarena trials, DFS Comandantes and ex-Comandantes even became participants and investors in the Guadalajara cartel's plantations and trafficking ventures.[13]

A second arm of law enforcement narco-corruption in phase II was the Mexico City police force. Some 70% of Mexico's police and military resources are stationed is or around the Federal District. At the time of

phase II, the Chief of the Direccion General de Policia y Transito del Districto Federal (DGPT) was Arturo Duarzo Moreno. Before being appointed Police Chief, he had been accused by a grand jury in Florida of being a member of a conspiracy that had shipped heroin into the U.S. from 1968 to 1971.[14] Despite this charge, he was named chief.

As chief, Moreno created a special intelligence and action unit prosaically titled the Division of Investigations for the Prevention of Delinquency (Division de Investigaciones para la Prevencion de la Delincuencia- DIPD), headed by Durazo's trusted associate Francisco Sahagun Baca. Within DIPD, Sahagun Baca's elite squad the Jaguars, "Los Jaguares," became the analogue in the world of crime to the DFS's "White Brigade." Its role was to facilitate, assist, and then rob and often murder bank robbers, drug traffickers and other criminals. It is best remembered, for orchestrating the executions of sixteen Colombian drug traffickers whose bodies were found in the Tula river.[15] In time, these crimes, the massive corruption, and Durazo's flauntingly ostentatious life-style caught up with him. In 1982 he was arrested and later convicted of his crimes. Sahagun Baca escaped, but was captured and arrested in July of 1989.[16] The Mexican media reported he was taken to the White Brigade's old haunt Military Camp Number One, but Mexican government officials denied this. Today, he is listed among the new "disappeared."[17]

The late 1970s was a period of shake-out in Mexican drug trafficking. U.S.-Mexican cooperation, aerial spraying and the Paraquat scare, had dropped Mexico to number three in hemispheric drug production and trafficking. Cocaine was now the drug of choice, and only in the early 1980s did Mexico rebounded as a major trafficking nation. For those schooled and hardened in the boom years of the early 1970s, such as Ernesto Fonesca and Felix Gallardo, or the Herrera's of Durango, political connections ran deep. For others, like Pedro Aviles Perez and Pablo Acosta who rose in the old-time bandido la plaza mold, survival was more difficult. As phase II slid towards phase III upper-world awareness and the need for upper-world political connections increased. There was too much money, and potential power at the state level for the central governing institutions to ignore. As a result more politically sophisticated and connected traffickers and trafficking organizations began to emerge.

One typical example is that of Jesus "Chuy" Murillo. He had been an associate of old-time Sinaloa, Culiacan, plaza holder Pedro Aviles Perez.

But by 1979, he had aligned himself loosely with the better connected patronage of ex-Sinaloa state policeman, Miguel Angel Felix Gallardo. That year, he moved to Ciudad Obregon Sonora, where he acquired property and businesses in the valley of the Yaqui. These agricultural and ranching interests even included an aerial crop-dusting firm, at times leased to spray marijuana and poppy fields.[18] To manage these holdings he hired a local but politically well connected attorney and the local leader of the PRI, Sostenes Valenzuela Miller of Cajeme.

This municipality, a suburb of Ciudad Obregon was a strategic location as it contains the area's airport. Backed by Murillo, and his drug trafficking associate, Jose Luis "Mayito" Gallardo Felix, the step-brother of Miguel Felix Gallardo, Sostenes Valenzuela Miller became candidate for mayor. Winning, he served his term and then passed the office on to his PRI associate Jose Felix Holguin who was also backed by the traffickers. Indeed, his victory fiesta was celebrated at Felix Gallardo's ranch, "Campo Argicola San Miguel" in Yaqui. Sostenes Valenzuela in turn, went on with the help of his trafficker patrons, and his friendship with Sonora's PRI governor, Rodolfo Felix Valdez, to become that state's Attorney General.[19]

The relationship of drag trafficker Jesus Murillo and the Felix Gallardo family with the PRI illustrates the often embedded relationships between drug traffickers and the political system. It also underscores the long term nature of these associations, as well as the reciprocal expectations they involve.

Even in the more direct bribery and extortionate relations of the La Plaza phase, the trafficker was not only expected to share the profits of his success, he was expected to provide information about his dealings, associates, and competition. Especially about those who sought to traffic without permission. The trafficker was expected to assist the police and the political system by providing grist for the judicial mill, as well as public relations materials to give the U.S. drug enforcers. Thus, while a trafficker could gain protection and warning information; the police could gain credit, praise, and promotions; the political system gained campaign monies and control; and the U.S., statistics, to justify a job well done.

Such states of political and social homeostasis are, however, inherently unstable. Every six years a new President is elected in Mexico, and he will have a somewhat altered constellation of associates to reward. Then there are the inevitable transfers, promotions, and retirements. There are also

rivalries that can lead to deadly competition and change. Moreover in Mexico, rival political parties have increasingly been challenging PRI's historic control, and achieving organizational and electoral successes in some state and local elections. Such fissures can, in time, create fractures which expose corruption, and provide materials for inquiring reporters to mine.

Given the stakes, and increasing volatility of the landscape, as well as the relatively small circle of elites, it is not surprising that more than thirty journalists have been murdered in Mexico in the last eight years. Many for exposing issues of narco-corruption. Perhaps, best known is that of political reporter Manuel Buendia whose assassination eventually reached into the highest sectors of the law enforcement and criminal justice system. Buendia is said to have come into possession of a videotape showing high ranking government officials meeting with drug traffickers. The intellectual author of the crime, was Buendia's friend and confidant, Antonio Zorrilla, the head of DFS.[20]

But it took another murder, that of DEA agent Enrique Camarena and his Mexican pilot Alfredo Zavala Avelar, to ignite a fire storm within the law enforcement bureaucracy of the United States. Yet even without this cause celebre, the U.S. law enforcement's zeal, its daily meddling, its ties to the press and media, and simply the immense presence of the United States, had a radical effect on drug trafficking and narco-corruption in Mexico. Camarena's kidnapping and murder, however, caused even the "pesca gorda," the big fish, of Mexican trafficking and corrupt law enforcement to scatter like minnows and hide. But even without such extraordinary events and pressure, simply the U.S.'s interest in a drug trafficker could result in having their license and lives lifted.

Pablo Acosta was an old style trafficker bandido who owned the plaza in Ojinaga whose life has been chronicled by Terry Poppa.[21] By letting newspaperman Poppa do a series on his charitable work and contributions Acosta raised his profile on both sides of the border,[22] Shortly after his story appeared in the El Paso Herald Post, both the DEA and the MFJP renewed their interest in Acosta. He then was visited by Federales from Mexico City who demanded a $60,000 monthly fee. Acosta paid, then fled to the safety of Santa Elena his hometown snug in the isolation of the Big Bend. But even in this sanctuary Acosta was betrayed, and he died guns blazing in a shootout with the Mexican Federal Police. They had surprised

him by mounting the assault from U.S. territory, assisted by U.S. law enforcement which monitored the action and verified Acosta's demise. The result was praise from the U.S., and promotions from Mexico City. In turn the plaza in Ojinaga passed to more docile hands. In July 1990, it was said, one could see uniformed Mexican Police and soldiers loading drugs into trucks and automobiles destined for the border.[23]

Acosta was a small fish compared with the Guadalajara group led by Ernesto Fonseca, Rafael Caro Quintero, Manuel Salcido Uzeta, Javier Barba Hernandez, and Juan Esparragoza Moreno. Or, the "El Padrino" of Mexican drug trafficking, Miguel Angel Felix Gallardo of Sinaloa. It is said, that it was Felix Gallardo who linked Honduran-born Ramon Matta Ballesteros, with his Colombian connections, to Fonseca, Caro, and the other members of the Guadalajara cartel. Thus connected, they moved tens of thousands of kilos of cocaine along with the multi-ton loads of marijuana they traditionally trafficked.[24]

Phase III

Collectively this loose consortium with their many trafficking and political connections represented the top of the trafficking pyramid in Mexico in the early 1980s, along with the Herrera family and other untouchables who followed parallel paths but with much lower public profiles. Up until the kidnapping of Enrique Camarena this consortium was developing large scale, high-tech, quality marijuana production in the high desert states of Sinaloa, Chihuahua and San Luis Potosi. It was a new form of marijuana production that demanded irrigation, labor, land, capital, and agricultural equipment entailing front-end costs in the millions. Hundreds of workers, guards, cooks, drivers, and mechanics were needed for cultivation and thousands more for the harvest. Such large-scale production received notice at the highest levels of the Mexican law enforcement system. But this attention was not directed at eradication, it was directed at payoff, protection and profit.

1982 was the last year of the administration of President Lopez Portillo. The last year of any sexteno is known as "the year of Hildalgo," a reference

to the corruption and payoffs that normally occur.[25] But 1982 surpassed this, for it was also a time of economic crisis, devaluation of the peso, capital flight, and the exposure of corruption within PEMEX, and the law enforcement administration of Arturo Durazo Moreno in Mexico City.

When Lopez Portillo's successor Miguel de la Madrid Hurtado entered the presidency the corruption connections between Mexican drug traffickers and law enforcement were already in place. His decision to keep Nazar Haro's successor, Jose Antonio Zorrilla Perez, as head of the DFS only served to further cement the alliance.

In the de la Madrid administration the narco-corruption activities of the Mexican Federal Judicial Police (MFJP) or Policia Judicial Federal (PJF) became more evident. Operating under the Office of the Mexican Attorney General, the MFJP was the agency believed by many to be less corrupted than DFS or the State police agencies in the 1971-1980 cycle of drug trafficking. In the second cycle that had begun in 1980-81, however, the MFJP appeared as actively involved in corruption as the DFS.

President de la Madrid chose attorney Manuel Ibarra Herrera to head the MFJP. Ibarra was the political protege of former Gobernacion Secretary and Mexican Presidential front-runner Mario Moya Palencia.[26] Moya had been slated to succeed President Luis Alvarez Echeverria in 1976. Posters and campaign literature had already been printed when Echeverria suddenly chose his Finance Minister Jorge Lopez Portillo as his successor. Author Alan Riding notes that Moya's "stunned followers urged him to run as an independent candidate. But the minister wisely opted for a disciplined response, 'Lopez Portillo is the best man available to the Mexican revolution . . .' and the system united behind the official candidate. "[27] What Riding does not say, is that in the weeks preceding Echeverria's surprise announcement, Alberto Sicilia Falcon one of Mexico's premier drug traffickers had been arrested. And it was discovered, that Goberaacion head Moya Palencia was a frequent user of Sicilia's Lear jet. It was also rumored that Moya had presented Sicilia Falcon with the official Gobernacion Special Agent credentials that he carried.[28]

Party discipline and loyalty count in Mexico, and Moya's discretion and loyalty to PRI was not forgotten. President Lopez Portillo appointed him manager of Mexico's Tourist Development Fund. And Portillo's PRI successor, President de la Madrid, appointed Moya overseer of a state

owned seafood export company and later Mexico's ambassador to the United Nations.[29]

Under Moya's patronage, Manuel Ibarra Herrera was now made head of the Mexican Federal Judicial Police. He in turn, asked his cousin, Miguel Aldana Ibarra, who had been with DFS since 1973, to be head of INTERPOL, the MFJP unit that deals with intelligence, foreign law enforcement and international drug trafficking. Later, Aldana Ibarra headed "Operation Pacifico," Mexico's high profile drug interdiction and eradication effort which earned a reputation for catching some small fry but rarely a big fish. The DEA felt that "Operation Pacifico" under Aldana was rife with leaks and corruotion.[30]

The choice of Ibarra Herrera as MFJP head was both curious and regrettable, although it fits any model of high level narco-influence and corruption. Ibarra's brother, Antonio was involved in drug money laundering through his currency exchange house in Tijuana. Another relative, Victoria Adato de Ibarra, who had just been appointed the government's chief prosecutor for the Federal District, was linked by the DEA in Colombia to that country's cocaine traffickers.[31]

As prosecutor, Mrs. Adato Viuda de Ibarra was placed in charge of the investigation of the assassination of journalist Manuel Buendia, and was severely criticized by the Mexican press for her foot-dragging and failure to uncover any leads or suspects. Despite this, she was appointed by President de la Madrid to the Mexican Supreme Court. Given that Buendia's killers were later found to be contract agents of DFS and the crime's intellectual author said to be DFS head Antonio Zorrilla, Mrs. Adato Viuda de Ibarra's investigative failures can be better understood.[32]

Although busy catching small fish in "Operation Pacifico," INTERPOL chief, Aldana Ibarra does not appear to have wasted any time in privately netting his share of the narco-corruption spoils. In grand jury testimony in the case of drug trafficker Gilberto Ontiveros Lucero, his associate Carlos de Herrera identified INTERPOL premier comandante "Aldana" (sic . . . as transcribed) as a major recipient of payoffs from the Chihuahua marijuana fields.[33]

According to the testimony, once the processed marijuana arrived at the warehouse it was weighed in the presence of the various police agencies to be paid off. In Gilberto Ontiveros's case the gathering usually consisted of

his brother Lencho, Carlos Zanocona representing the MFJP, and a Sr. Garcia of the Rural State Police. Sr. Garcia, it is said, later became head of the Rural State Police in Chihuahua. After weighing, the payoffs were made in U.S. dollars; $ 12.00 a pound to the MFJP, and $ 17.00 a pound to the Rural State police. The Federal share was then taken to Aldana in Mexico City. Federal agents, Zanocona, Luis Aguilera, and a professional hit man called "El Alacran" were said to be permanently stationed in Chihuahua to monitor the Ontiveros group.

Ontiveros was not the only drag trafficker making protection payments to Aldana. Colombian trafficker Ramiro Melendez arrested with forty-one kilos of cocaine at the Mexico City airport named Aldana as his erstwhile protector. Later, after further interrogation, he recanted this initial testimony.[34] Other reports, however, continued to confirm the pattern. A 1987 affidavit filed in Federal District Court in Arizona states that drug trafficker Jaime Figueroa Soto "enjoyed the protection of MFJP Comandante Aldana-Ibarra in order to facilitate . . . drug trafficking ventures."[35] This affidavit also notes that a large quantity of the protected marijuana processed at Buffalo, Chihuahua was shipped out before the November 1984 raid that lead to DEA agent Camarena's death. This the largest marijuana haul in Mexico's history netted more than ten tons of sinsemilla marijuana. Informed by the DEA only hours before, the raid was led, not without irony, by Comandante Aldana Ibarra who was also profiting from it.[36]

But even before this key raid the Guadalajara Cartel was holding meetings with high ranking Mexican law enforcement officials regarding the DEA's pressure on their operations. In October 1984, a meeting was held at the home of Javier Barba Hernandez, an attorney for the traffickers. According to a U.S. Justice Department memorandum, MFJP head, Manuel Ibarra Herrera, his aide, Armando Pavon Reyes, INTERPOL Chief, Miguel Aldana Ibarra, and Javier Garcia Paniagua, the current chief of police in the Federal District and past President of the PRI met with drug traffickers Ramon Matta Ballesteros, Caro Quintero, Ernesto Fonseca, Manuel Salcido Uzeta, and businessman Ruben Zuno Arce.[37] Zuno Arce was the brother-in-law of ex-President Luis Echeverria. He was convicted in Summer 1990 by a Federal Court in Los Angles for his involvement in the Camarena case.

This high-level conference between the Guadalajara cartel and ranking Mexican officials was according to U.S. government testimony only the

first of four meetings called by the traffickers to devise a strategy with their law enforcement protectors to deal with the increasing the DEA pressure and successes against them. At a December meeting Camarena's photo was passed around and his activities discussed.[38] The extent to which all of the above officials or their representatives where present at these later meetings is unclear. The fact that most, if not all, directly or indirectly took part in the cover-up of the crime, or assisted in the escape of the drug traffickers after the killings is, however, well documented.[39]

The Camarena trial testimony represented the first time that the name of a current high-ranking Mexican government official, Javier Garcia Paniagua, Chief of the Federal District Police, was mentioned in connection with the DEA agent's kidnapping and murder. Mexican officials have called the testimony, "unfounded and irresponsible. "[40] A closer examination of Garcia Paniagua's history, however, lends plausibility to the accusation.

Javier Garcia Panigua had been the Director of the DFS during the administration of President Luis Echeverria. His sub-director, running the White Brigade, was Miguel Nazar Haro. This period of law enforcement administration, remembered for the torture and disappearances of the enemies of the State, was also the time of DGPT Chief Arturo Durazo Moreno and Shaguan Baca's "Jaguars" of the DIPD.[41]

In November 1988, Garcia Paniagua, as Chief of the Secretaria General de Protection y Vialidad del Districto Federal, the Federal District Police, chose his old White Brigade Chief, Nazar Haro, to be the director of a new. intelligence unit he was creating. It was a decision that caused an immediate media uproar both in Mexico and the United States. The Mexican press was concerned both with Nazar's White Brigade reputation, and with the creation of a police intelligence unit that appeared very similar to Shaguan Baca's DIPD. The U.S. press noted Nazar was still wanted on a felony stolen car ring warrant in California.

Questioned about his choice and Nazar's work as DFS Sub Director, Garcia Paniagua responded; "I was responsible for his nomination and I was responsible for his activities against the opposition parties, public opinion and the communications media."[42] Then to a reporter's follow-up question about the new intelligence unit, and whether it is "the same as the DIPD?" Garcia answered, "Yes, it is similar. It will have the same functions."[43]

Because of the public outcry over DIPD's reputation for corruption, drug trafficking, torture, rape, and murder one of President de la Madrid's first acts had been to disband it.[44] Now Garcia Paniagua wanted it resurrected and run by an old "mano duro" (hard hand) like Nazar. The publicity, however, caused Nazar to decline the appointment. Yet, Garcia Paniagua's strong defense of his old Colegio Militar and DFS compatriot remained.[45] These strong ties and bonds of loyalty were not only strengthened by experience and time, but also by the fact that Garica's son, Javier Garcia Morales, a DFS Comandante, had been indicted with Nazar for car theft.[46] At that time Garcia was the President of Mexico's ruling political party, the PRI.

High level connections between drug traffickers and Mexico's ruling elite are not an exceptional phenomenon. "El Padrino," Miguel Angel Felix Gallardo, an ex-State policeman, and the DEA's number one drug trafficking target in Mexico for many years was a friend and associate of Governor's, Leopoldo Sanchez Celis and Antonio Teledo Corro, of Sinaloa. While the DEA sought to arrest him, he not only served on the board of one of Mexico's leading banks, Banco Somex, he and his family maintained and active social life among the political elites of the states of Sinaloa, Sonora and Jalisco.[47]

Within this system of elite interaction and corruption, the Mexican military remained the most shadowy player in drug trafficking in the early 1980s. Not that the Mexican military was new to drug trafficking. Back in 1972 Mexican General Humberto Mariles was arrested by French authorities with sixty kilos of heroin he was carrying to the United States.[48] Its role, however, did not become highlighted until the aftermath of the Camarena case, and drug traffickers and law enforcement officials fled, were arrested or jailed.

Phase IV

INTERPOL chief, Miguel Aldana Ibarra resigned, for personal reasons, in January 1985, and became President of the Bar Association of Mexico. He held this post until March 1990 when he was indicted in the Camarena

case. As a result of this loss of a key corruption connection to Mexico City traffickers like Jaime Figuero Soto in Sonora were forced to bribe local MFJP agents.[49] While in the neighboring State of Chihuahua the local DFS comandante, Rafael Aguilar who with his brother-in-law, Rafael Munoz Talavera, had been engaged in trafficking since the mid-1970s, now took local traffickers like Gilberto Ontiveros under his patronage.[50]

With the dissolution of DFS in 1985, and its replacement by a new organization, the General Directorate of Investigations and National Security (DGSN), a number of the Gobernacion narco-corruption connections appear to shift from the capitol to local MFJP and regional military zone commanders. Mexico is divided into some 36 military zones. The Puebla zone commander General Juan Poblano Silva was indicted along with several of his subordinates in Federal court in Los Angeles (May 1987) for attempting to set up a drug trafficking trampoline using his zone to bounce drugs from Bolivia to the United States. According to the indictment, Mexican army, as well as DGSN and MFJP officials were to receive one million dollars for every metric ton of cocaine permitted to land, refuel and transit Mexico by air.[51]

Military narco-corruption, however, appears to have gone way beyond the military zone commanders. A 1988 District Court affidavit in the State of Arizona states that in 1984 an informant told the DEA that a consortium of traffickers including, Rafael Caro Quintero, Juan Esparagoza Moreno, Jaime Figueroa Soto, Manuel Salcido and Juan Quintero Paez paid ten million dollars to the Mexican Secretary of Defense, General Juan Arevalo Gardoqui, for protection, and that a video-tape had been made of the transaction.[52] Furthermore, tape recordings made by the drug traffickers during their torture interrogation of DEA agent Enrique Camarena indicate that they specifically questioned him about the extent of his knowledge of the involvement of both General Arevalo Gardoqui and Miguel Aldana Ibarra in narco-corruption.[53]

In July of 1990, after the Mexican Secretary of the Navy, Admiral Maurieio Schleske suddenly retired, "for personal reasons," it was found that he owned several town houses in Houston Texas worth several times his annual salary at time of purchase. It was also found that Admiral Schleske's neighbor by these Houston properties was his friend Admiral Jose Luis Cubria, the recently retired Director General of the Mexican

Merchant Marine. While no direct charges of drug trafficking has been brought against these gentlemen, given their association and sudden wealth, it is interesting to note that Schleske had been Naval Division Commander, and the Chief of Naval Operations from 1986 to 1988 in the Vercruz-Brownsville region, a key hub of drug trafficking into Texas and Louisiana, while Cubria controlled shipping access there.[54]

While the Mexican military establishment appears to have been getting a continuing, and perhaps increasing share of corruption monies after the death of agent Camarena and the breakup of the Guadalajara cartel, this Phase IV activity appears tempered by a simultaneous decentralization of narco-corruption back down to the Plaza and the State, Rural police, and the MFJP at the State level.

Between 1985 and 1987, the Luis Eduardo Duarte Mendoza group in Arizona bribed the local MFJP to move marijuana and cocaine into the United States.[55] While in December 1987, the MFJP Commander in Juarez, Joaquin Salvador Galvan was indicted for protecting drug shipments moving through Chihuahua.[56] Similar patterns of local area commander involvement with narco-corruption can be found across the northern border states of Mexico after the Camarena debacle.

There are likely several reasons for this. One, the intense U.S pressure in the aftermath of the Camarena killing fractured the Guadalajara cartel and led to a lower profile of corruption. Two, the election of a "new broom," President Salinas de Gortari meant a shift in direction, some new players in the game, and a reorganization of some patterns of influence. Three, the Colombians who have been establishing themselves in Mexico since the early 1980s, were developing lower profile ties with more untouchable trafficking organizations, such as the Munoz Talavera-Rafael Aguilar groups among others. Four, the shake-out of the Guadalajara group led to a "War of the Capos," in which lower ranking family members attempted to fill vacuum and contested for power. Five, new drug trafficking groups, Bolivian, Peruvian, Brazilian, and Italian were entering Mexico and establishing new networks.

In its first sixteen months the Salinas administration appeared to be taking a strong stance against drug trafficking. Some 345 drug organizations were said to have been broken and some forty metric tons of cocaine and cocaine base seized.[57] On March 15, 1990, "El Padrino," Felix

Gallardo, was sentenced by a Mexican court to a term of 300 years.[58] Indeed, the U.S. State Department reported that since Salinas came to office many major drug traffickers including, Gilberto Ontiveros Lucero, Raul Kelly Osuna, Giuseppe Catania Ponsiglioni, Miguel Angel Rico Urrea, Amado Carrillo Fuentes, Carlos Aguilar Garza, Rafael Chao Lopez, Elias Herrera Fajer Valenzula, Franciso Perez Parga, Camilo Aviles Labra, Albelardo Landell Terrazas, Carlos Tapia Anchondo, Brigida Nava Duque, and Rafael Munoz Talavera have been arrested by Mexican authorities.[59] Although several on this list have been freed or had their cases dismissed, this veritable "Who's Who" of Mexican trafficking composes an impressive rooster of success.

Indeed, in 1990 the Mexican government under the leadership of Javier Coello Trejo, Assistant Attorney General in charge of the Anti-narcotics effort assisted by new tough police officials, and improved U.S. intelligence efforts made a number of victories against drug traffickers. In the first quarter, as the Colombian cartels still reeled under the law enforcement crack-down at home, Colombian aircraft and organizations in Northern Mexico also were affected by improved intelligence and rapid Mexican law enforcement follow-up. By midyear they had yielded to the pressure and shifted many of their operations south. And even when conditions stabilized in Colombia, after the election of a new administration, they increased the short-hopping from Guatemala into southern Mexican states, and then used Mexican small planes and ground transport to move drugs to border staging areas.

In early October 1990 Coello Trejo's anti-narcotics police raided a ranch in Chiapas near the Guatemalan border and seized some five and three-quarter tons of pure cocaine. It was the largest seizure of this type in Mexican law enforcement history. Then on the 15th of October he authorized a raid in Chihuahua that seized three aircraft and some six tons of cocaine (pura and basica).[60] Within hours of this raid, however, the traditional pattern of narco-corruption asserted itself. Javier Coello Trejo was suddenly made Attorney General for Consumer Affairs, a post of little significance in Mexico, even if a promotion. It appears these aggressive raids, or perhaps U.S. seizure of some 3.85 tons of cocaine on October 5th in a propane truck belonging to the untouchable Zaragosa family of Juarez, was too much for the traffickers.[61]

Phase V

The cited reason for both the promotion of Coello Trejo and the mass firings, retirements and transfers of his anti-narcotics police that have followed since these raids, is "human rights violations" by "over jealous" drug police. This may be so, since police in Mexico have never been soft-handed in dealing with criminals. But if this is so, then one must ask why is it that President Salinas's replacement for attorney Trejo is a military Colonel from the National Security (political police) section DGSN in Gobernacion. An agency that historically has neither been known for its respect for human rights nor its aggressive law enforcement against drug traffickers.[62] This choice only reinforces speculation that the real reason for Coello Trejo's promotion and the mass retirements/firings of effective policemen on the border was high-level pressure and narco-corruption.

Mexican politics has always had many faces, particularly where money and power are concerned. So despite the initial good works of the Salinas administration, and that of Coello Trejo and his men up to October 1990, the long term history and political culture of Mexico suggests it may be Janus-faced on this issue. A fact that would not surprise any long-time student of Mexican political life.

When President Salinas came to power he filled key positions in his cabinet with young U.S. educated Ph.D.'s and technocrat economists like himself.[63] To do this he had to compromise on other key positions with the old guard within the PRI. Thus, Enrique Alvarez Castillo, who was Governor of Jalisco when the Guadalajara cartel freely operated there and DEA agent Camarena was kidnapped, became Salinas's Attorney General. Pablo Aleman Diaz, who had been chief of the Jalisco State police under Gov. Alvarez, became the Chief of the Mexican Federal Judicial Police (MFJP). Javier Garcia Paniagua, ex-DFS Director and President of PRI, who was accused of being present at the Guadalajara cartel meetings that planned the Camarena kidnapping, the Chief of Police for the Federal District, Mexico City. While a Colegio Miltar classmate of Garcia and Nazar Haro, and another ex-DFS Director, Fernando Gutierrez Barrios, became Secretary of Gobernacion. Given this law enforcement power bloc with deep connections to prior corrupt administrations, agencies and organizations, it is not surprising that when Colombian and Mexico's own

drug trafficking untouchables began to feel the effect of Coello Trejo's anti-narcotics efforts he was "promoted," and a radical policy adjustment in the name of "human rights" occurred. Following his firing, key antinarcotics police officers including twenty-two in the key Juarez-Nuevas Casas Grande frontier area, were transferred, retired or fired for alleged human rights violations.[64] Then on January 16, 1991, a key Chihuahua drug king-pin Rafael Munoz Talavera, who was responsible for moving some 77 tons of cocaine for the Colombians through Juarez, and El Paso to Los Angeles in 1989, was freed from prison by a Mexican Federal judge without any explanation.[65] The new Mexican "drug czar," Jorge Carrillo Olea visited Washington the following week to gather support for Mexico's recertification by Congress. During that visit he noted that U.S. Customs patrol planes have recently resumed flights over Mexico with Mexican drug enforcement officials on board.[66] What he did not say is that these officials refused to allow the plane's search radar to be turned on.[67]

Selective enforcement of the type that preceded the Camarena incident appears to continue. But then, where narco-corruption in Mexico is concerned, one does not have to be a cynic to say that the players may change but the game continues.

A final note. It appears that the Bush administration in response to the economic might of an emerging united European Community, and the Pacific Rim Bloc, wants to create a North American, even Hemispheric, free trade bloc in which Mexico is to be a key participant. Given this priority of free trade and good relations with Mexico, the reality of drug trafficking and narco-corruption there is likely to be down-played, if not ignored in the closing years of the administration. For despite all the rhetoric to the contrary, drugs and drug trafficking are but minor priorities in the long term game of power-bloc politics.

Postscript

On November 7th 1991 seven Mexican drug agents were killed in a fire fight with 100 Mexican soldiers who were present at a Colombian drug plane landing site at Tlalixcoyan 25 miles south of Veracruz. Federal police

officials had warned the local military zone commander, Gen. Alfredo Moran Acevedo, that the raid was about to take place and begged him to order his men to hold their fire. Autopsies showed that two of the Federal drug agents were shot in the back at close range, a third was shot at point blank range in the mouth during the two hour attack, while a second planeload of drug agents landed and were detained at gunpoint while the shooting continued. Only one drug agent sought to fire his weapon in self defense. According to the Mexican press this was the third incident in recent months where the local military stopped the police from intercepting drug shipments. The drug traffickers escaped.

Mexican Attorney General Ignacio Morales Lechuga and the Mexican Defense Department blamed the shootout on confusion at the landing site. U.S Ambassador John Negroponte called it a "regrettable accident." While Mexican and U.S. officials may close ranks in the name of free trade, this event is but one more piece of data serving to reinforce the central thesis of this work.

Notes

1. Alan Riding, Distant Neighbors. (New York: Vintage Books, 1986) p. 165.
2. Ibid., p. 164.
3. James Rudolph, Mexico: A Country Study. (Washington, D.C.: GPO, 1985) pp. 283-4.
4. Terrence E. Poppa, Drue Lord: The Life and Death of a Mexican Kingpin. (New York: Pharos Books, 1990) pp. 41-42.
5. See, William Wilkinson and Reynaldo Montanaro, "Constitutional Rights of the Accused: The Mexican Experience", C.J. The Americas (Vol.3, No.6) December-January 1991, pp. 9-12.
6. J. Rudolph, op. cit., p. 363.
7. Marcelino Inurrieta de la Fuentae, Leandro Castillo Venegas, General Roberto H., Luis de la Barrera Moreno, Fernando Guiterrez Barrios, Javier Garcia Panaigua, and Miguel Nazar Haro, were all graduates of the Colegio Militar and a number classmates and cohorts. Proceso. August 5, 1985, p. 30.
8. Proceso. (No. 634), December 26, 1988, pp. 6-13.; (No. 636), January 9, 1989, pp. 16-22.
9. Proceso. (No. 634), December 26, 1988, p. 12. Also, Rogelio Hernandez, Zorilla: El Imperio del Crimen. (Mexico City: Editorial Planeta, 1989).
10. Proceso. August 5, 1985, p. 30.
11. John Cummings, "Work for Us or Die," Penthouse. December, 1989, pp. 58-84.
12. Proceso. (No. 659), "Zorrilla no sea Deja," May 16, 1989, pp. 6-11.

13. Los Angeles Times. May 4, 1990, p. A-l.

14. Ibid., p. 9.

15. Jose Gonzales, Lo Negro del Negro Durazo. (Mexico City: Editorial Posada, 1983), pp. 204-210.

16. Proceso. (No. 664), July 24, 1989, p. 11.

17. Proceso. (No. 667), August 14, 1989. p. 13.

18. A 1984 Congressional Report found that in the early 1980s the drug plantations were often being sprayed with water and fertilizer rather than herbicide. With traffickers owning some of the aerial spraying companies that were at times leased to do this, this is not a surprising finding.

19. Proceso. "En Sorsora se hizo evidentelas estracha relacion politicos-narcos" (No. 650), April 17, 1989, p. 15.

20. See, Rogelio Hernandez, Zorrilla: el impero del crimen, pp. cit. espeically pp. 125-132; pp. 175-188.

21. Terrence Poppa, Drug Lord, op. cit.. passim.

22. El Paso Herald Post. December 3-5, 1986, p.l.

23. Telephone interview by the author in July 1990 with a well placed border observer of events in Ojinaga.

24. For a useful history of the Guadalajara group and the aftermath of the murder of DEA agent Camarena see, Elaine Shannon, Desperados. (New York: Viking, 1988).

25. According to Mexicanists John and Susan Kaufman Purcell the phase comes from a line in a poem. "This is the year of Hildalgo; he is a fool who does not steal something." See J. Rudolph. Mexico: A Country Study, op. cit.. p. 284.

26. Excelsior. January 23, 1986, p. 5.

27. Alan Riding, Distant Neighbors, op. cit.. p. 102.

28. James Mills, The Underground Empire. (New York: Dell, 1986), pp., 548-550.

29. Allen Riding, Distant Neighbors, op. cit., p. 111. Also, U.S.-Mexico Report, February 1986.

30. Elaine Shannon, Desperados, op. cit., p. 130.

31. Excelsior. January 23, 1986, p. 5.

32. Proceso. (NO. 655) May 22, 1989, pp. 11-13; and (No. 660) June 26, 1989, p. 9.

33. Grand jury testimony, U.S. Western District Texas, El Paso, US v. Onteveros, Oct 7, 1986. In author's files.

34. Proceso. (No. 621), September 26, 1988, p. 16; Contenido. August 1985, pp. 28-40.

35. Affidavit. (Exhibit A), U.S. District Court of Arizona in the case of U.S. v. Jaime Figueroa Soto, 1988. In author's files.

36. E. Shannon, op. cit., pp. 194-5.

37. Henry Weinstein, The Los Angeles Times. May 4, 1990, p. A-1.

38. Ibid.

39. See E. Shannon, op. cit.. pp. 231-244, 400-448.

40. Michael Isikoff, The Washington Post. May 4, 1990.

41. Proceso. (No.634) "El oficio de reprmir: Nazar, El Policia" pp. 6-13.; (No.636) "Nazar, El Intocable", pp. 16-21. Also, Elena Ponjiatowska. Fuerte es Silenio. (Mexico City: Ediciones Era, 1980).

42. Proceso. (No. 636), January 9, 1989, p. 17.

43. Ibid., p. 17.

44. James Rudolph, op. cit.. p. 364.

45. Uno Mas Uno. December28, 1988; also, The El Paso Times. January 10, 1989.

46. Shannon, op. cit., pp. 181, 465.

47. Proceso. (No.650), April 17, 1989, pp. 7-10.

48. Proceso. (No. 436), March 11, 1985, pp. 8-9.

49. U.S. District Court Affidavit, Arizona, op. cit., p. 10.

50. Grand Jury Testimony, US v. Ontiveros Lucero, October 7, 1986, op. cit. In author's files.

51. U.S. District Court, District of California, (San Diego), Indictment, January 15, 1988. Also see Los Angeles Times. January 16, 1988, p. A-l.

52. U.S. District Court State of Arizona, U.S. v. Figuero Soto, op. cit., pp. 10-11.

53. Shannon, op. cit., pp. 292-94.

54. Proceso. (No. 719), August 13, 1990, pp. 8-13; see also (No. 720), August 20, 1990, pp. 26-27.

55. U.S. District Court (Arizona) Indictment, U.S. v. Durate Mendoza, December 8, 1988. In author's files.

56. U.S. District Court, Western District of Texas (El Paso), Indictment, U.S. v. Ruben Jaramillo, December 10, 1987. In author's files.

57. Foreign Broadcast Information System (FBIS), Latin America Report. April 25, 1990, p. 5.

58. Excelsior. March 16, 1990, p. 5.

59. U.S. Department of State, INM, International Narcotics Control Strategy Report. March 1990, pp. 187-8.

60. Excelsior. October 16, 1990, p. 5A.

61. Pedro Zaragosa is the brother-in-law of Rafael Aguilar and Rafael Munoz Talavera. The latter moved some 77 tons of pure cocaine through Juarez and El Paso to California for the Colombians in 1988-89.

62. Excelsior. October 24, 1990, p. 5A.

63. Roderic A. Camp, "Camarillas in Mexican Politics: The Case of the Salinas Cabinet", Mexican Studies/Estudios Mexicanos. (Winter 1990), pp. 84-107.

64. El Paso Times. December 7, 1990. p. B-1.

65. Ed Ivey, "Judge Frees Reputed Drug Lord", El Paso Times. January 17, 1991. p. B-2. Personal conversation by author with a high ranking U.S. Official indicates a diplomatic note of protest was sent to the GOM in early February.

66. Jerry Seper, "Mexico invests in arms to fight war on drugs," The Washington Times. January 28, 1991, p. A-6.

67. This was confirmed by a high ranking official in our embassy in 'Mexico on February 21, 1991.

68. Candice Hughes (AP), "Slaying of Drug Agents Touchy Issue in Mexico", Albuquerque Journal. November 28, 1991.

8
CIA Assets and the Rise of the Guadalajara Connection

Jonathan Marshall

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Why do some drug traffickers prosper and grow powerful while others languish behind bars? The answer, more often than not, depends less on their relative organizational skill, financial sophistication or ruthlessness than their level of political protection. The route to market domination lies in developing ties with corrupt political leaders and ambitious law enforcement authorities who cooperate to generate arrest statistics at the expense of unfortunate competitors.

Successful trafficking on an international level requires political protection on the same level. Since World War II, one of the most critical sources of such institutional protection for the drug trade has been the U.S. Central Intelligence Agency. Its marriage of convenience with underworld organizations to further the fight against communism fostered the rise of notorious syndicates in Sicily, Marseille, Southeast Asia, the Caribbean, Afghanistan/Pakistan and, in recent years, Central America.[1]

The investigation of the Senate Subcommittee on Terrorism and Narcotics (the "Kerry Committee") into the Reagan-Bush administration's promotion of drug criminals connected to the Nicaraguan Contras brought this phenomenon briefly into the public's eye. Yet a much larger regional manifestation of U.S. protection for powerful drug syndicates, and an important precursor of the Contra-drug story, has largely escaped notice: the rise of Mexico's Guadalajara drug cartel.

The CIA’s Mexican Connection

In June 1975, Mexican Police assisted by U.S. drug agents arrested one of the biggest of the drug "kingpins" said to dominate that country's illicit trade. Mexican and American authorities went so far as to call Alberto Sicilia-Falcon, a Cuban exile operating out of Tijuana, "the leader of the world's largest cocaine and marijuana trafficking organization." His syndicate reportedly moved money out of the United States at the rate of $3.6 million every weeknot much by today's standards, but a huge sum in the days before the creation of the Colombian cartels and the inflation of the North American cocaine market.[2]

Only 31 at the time of his arrest, Sicilia seemingly came from nowhere after the bust of the "French Connection" in 1972 (marked in Mexico by the killing of the French heroin trafficker Lucien Sarti) to run vast quantities of Mexican marijuana, Andean cocaine and European heroin into the United States. Sicilia himself claimed that powerful political and intelligence allies helped account for his meteoric rise within the criminal world. He told police he was a CIA protege, trained at Fort Jackson as a partisan in the secret war against Castro's Cuba. In return for helping the CIA move weapons to certain groups in Central America, he asserted, the Agency facilitated his movement of heroin and other drugs.[3]

Whatever the truth of that claim, there can be no doubting the intelligence links of his close aide Jose Egozi, a CIA-trained intelligence officer and Bay of Pigs veteran. In 1974, for example, Egozi lined up CIA support for a rightwing plot to overthrow the Portuguese government, involving a quarter billion dollar arms shipment arranged by Sicilia. DEA agents investigating SiciliaFalcon discovered not only that the CIA station

in Mexico City was thoroughly familiar with him, but that his name produced strange pressures from Washington. Federal drug agents speculated that the CIA had recruited Sicilia in Miami and assisted his rise until he "got too big for his britches" and had to be brought down.[4] (As we shall see, two of Sicilia's men who took his place as leaders of the Mexican drug trade also appear to have enjoyed CIA protection, in part because of their support for the Contras.)

Aside from the CIA, Sicilia enjoyed ample support from top politicians, intelligence and law enforcement officials in Mexico. One of the most important of these was the head of the powerful Direccion Federal de Seguridad (DFS), Miguel Nazar Haro. After Sicilia was recaptured following an escape from prison, Nazar intervened to protect him from torture--and thus also from spilling embarrassing information.[5]

Nazar was one of the most powerful men in Mexico in the mid-1970s to early 1980s. The DFS, a sort of combined FBI and CIA with broad national security functions, played a central war in Mexico's fight against leftwing subversion, both directly and through a death squad organized under Nazar's supervision, the "White Brigade." Its strategic role made Nazar a key point of intersection for foreign as well as Mexican interests, including Cuban exile terrorists and operatives of the DEA and CIA.

Nazar was extremely close to several Cuban Americans implicated in the botched kidnapping of the Cuban consul (and murder of his chauffeur) in Merida, Mexico on July 23, 1976. The notorious terrorist cell responsible for that crime, CORU, reportedly enjoyed CIA support (under the directorship of George Bush) so long as it confined its acts to offshore targets.[6] CORU--and in particular the Merida operation--was allegedly financed by a drug money front headed by a former Bay of Pigs veteran.[7]

Nazar protected the operations of these Cuban terrorists by seizing and destroying evidence of their culpability in the Merida case and possibly by facilitating the escape from Mexican prison of one of the perpetrators.[8]

One of the suspected Merida plotters closest to Nazar was Francisco Manuel Camargo, "rumored to be in regular contact with the Mexican national police, narcotics officers, and also the CIA."[9] Another of Nazar's Cuban-American contacts, Bernardo de Torres, reportedly supplied Nazar's death squad with weapons. He worked for the DEA as an informant while also, according to federal sources quoted by former Newsday reporter John

Cummings, running "guns into Mexico and drugs out with Nazar's knowledge. In fact, it was common knowledge that when de Torres went to Mexico he was picked up at the airport by Nazar's personal limousine--without having to go through customs or immigration--and swiftly taken to Nazar's office.[10]

The DEA had liaison with this complex Mexican intelligence chief. One DEA agent said to be in contact with Nazar was the Tucson-based Hugh Murray. A former CIA officer, Murray ran the Bolivia station during the campaign to capture the Castroite guerrilla leader Ernesto Che Guevara, a mission accomplished in 1967 with the help of Felix Rodriguez and Gustavo Villoldo, two Cuban-born CIA officers later in close touch with George Bush's staff regarding their covert support to the Contras.[11] Murray was recruited into the DEA in 1974 by retired CIA covert operations specialist Lucien Conein, who ran "special projects" for the drug agency. One DEA informant later testified that Murray used his DEA job as a cover for running political intelligence operations within the Mexican government. If so, that would explain his alleged contacts with Nazar and with the corrupt police chief of Mexico City, Arturo Durazo, accused by critics of making a fortune from the drug trade.[12]

Political espionage is, of course, the job of the CIA, not the DEA. But the line between the two agencies has often been blurred, and nowhere more so than in Mexico, where the CIA required the drug agency in the 1970s to hand over a list of all its Mexican assets and coordinate operations.[13] And if Nazar was a sometime DEA asset, he was indisputably the CIA's "most important source in Mexico and Central America," by the agency's own admission.[14]

As Elaine Shannon has observed, "DFS officials worked closely with the Mexico City station of the U.S. Central Intelligence Agency and the attache of the Federal Bureau of Investigation. The DFS passed along photographs and wiretapped conversations of suspected intelligence officers and provocateurs stationed in the large Soviet and Cuban missions in Mexico City. This information was of crucial importance to U.S. counterintelligence specialists at the CIA and FBI . . . The DFS also helped the CIA track Central American leftists who passed through the Mexican capital. Finally, the DFS provided security details for the U.S. ambassador and other American dignitaries."[15]

The CIA's loyalty paid off for Nazar when FBI agents began investigating a stolen car ring that moved no fewer than 4,000 'hot' autos across the border from the United States into Mexico. Bureau informants named Nazar Haro as one of the ringleaders. An FBI affidavit produced in the case reported that "In June or July 1979" one of the car thieves "traveled to DFS headquarters in Mexico City and obtained orders for stolen vehicles. The vehicles were subsequently stolen in California and delivered to DFS headquarters in Tijuana. Miguel Nazar . . . inspected the stolen vehicles and had a number of his DFS agents accompany the stolen vehicles to Mexico City.[16]

A grand jury indicted Esteban Guzman, the highest ranking career officer at the DFS. But officials in the Mexico City embassy balked at any attempt to bring Nazar Haro to justice. The FBI legal attache Gordon McGinley wrote the Justice Department that "CIA station and legat [legal attache] believe our mutual interests and as a consequence the security of the United States, as it relates to terrorism, intelligence, and counterintelligence in Mexico, would suffer a disastrous blow if Nazar were forced to resign." In another cable he referred to Nazar as "an essential repeat essential contact for CIA station in Mexico City." When Associate Attorney General Lowell Jensen (now a federal judge) refused to permit Nazar's indictment, U.S. Attorney William Kennedy went public with the CIA's role in obstructing justice and was summarily fired.[17]

Nazar Haro plays a critical role in the story of U.S. government tolerance and even support of major international drug smuggling. Trafficking in stolen cars was the least of the crimes in which he was implicated--and for which the CIA and the DEA covered his tracks in order to win his continued cooperation. This story also throws light on certain drug kingpins later implicated helping the CIA-backed Nicaraguan Contras.

The Mexican Snow-Job

The years of Nazar Haro's reign at DFS--1977 to 1982--have long been touted by U.S. drug enforcement of officials and State Department spokesmen as the golden age of Mexican drug enforcement. In 1978, Peter Bourne, director of White House Office of Drug Abuse Policy, told a Senate subcommittee, "The ongoing activities of the Mexican and American governments in the field of drug control must rank among the most exemplary forms of international cooperation in the world today.[18] By 1980, U.S. and Mexican officials were boasting that "The success of Mexico's program to eradicate opium poppies, from which heroin is processed, and marijuana is more than evident in the scarcity, inaccessibility and tiny size of the fields being sprayed in the inhospitable mountains east of Culiacan, near the Pacific coast 650 miles northwest of Mexico City.[19]

As late as 1983, the House Select Committee on Narcotics Abuse and Control could report back after a study trip that "since 1975 Mexico has been successful in virtually eliminating marihuana production and has substantially reduced opium cultivation . . ." It also had high praise for the Mexican government's success in building "the world's finest aerial crop-eradication program. Its size, professionalism, competence, performance, and experience make it the world leader in this technique."[20]

In retrospect, such assessments were not merely wrong; they represented one of the greatest coverups in the history of U.S. drug enforcement. Government officials knew the Mexican enforcement effort was a sham, but chose to disguise that fact from the American people until the brazen murder of DEA agent Enrique Camarena in February 1985. Only then did the DEA Administrator Francis Mullen, Jr. startle the public with his long overdue revelation that "Mexico hasn't arrested a major drug trafficker in eight years."[21]

The DEA and other agencies had known for most of that time that the Mexican miracle was really a nightmare. As early as 1980, for example, the DEA became aware that the city of Guadalajara had been taken over by

international-class drug traffickers like Miguel Angel Felix Gallardo, Rafael Caro Quintero and Ernesto Fonseca Carrillo--even if Washington refused to care.[22] In 1982, the DEA learned that Felix Gallardo was moving $20 million a month through a single Bank of America account--but they couldn't get the CIA to cooperate even marginally with the investigation.[23] By than U.S. officials also knew that Mexico had replaced Colombia as the major supplier of marijuana to the United States and that it transshipped at least 30 percent of the cocaine consumed in America.[24] In November 1984, Mexican police raids turned up 10,000 tons of marijuana growing on slave plantations--eight times as much as the United States officially estimated was produced in all of Mexico in a year, and nearly as much as estimates of America's entire annual consumption. Ironically, those consumption figures had been calculated on the basis of phony Mexican production estimates.[25]

The key to the public deception was the much-vaunted Mexican "enforcement" campaign, known as Operation Condor. It began in 1975 with a two-pronged emphasis on aerial spraying of drug crops and military operations against traffickers in remote mountain areas, particularly in the state of Sinaloa. It succeeded in filling the jails with hapless peasants accused of growing marijuana on their tiny plots--or suspected of leftwing organizing in the countryside--but not in arresting a single major drug kingpin.[26]

The drug chiefs were similarly untouched by the bogus aerial drug eradication program funded by the United States, which supplied 76 planes and other aid worth at least $115 million. Although the State Department's narcotics office had official responsibility, the CIA seems to have had a hand in this program as well. To fly the planes and train Mexican pilots, Mexico contracted with Evergreen International Aviation, a deal arranged by two CIA men, one of whom had flown for the Agency in Laos. The year Condor began, Evergreen acquired most of the assets of a CIA proprietary airline, Intermountain Aviation. It also put the former head of all CIA air operations, George Doole, on its board of directors.[27] The company contracted to handle all airplane maintenance was E-Systems, which acquired the CIA proprietary Air Asia and which has three former top CIA officers among its senior executives.[28]

Whether on purpose or out of negligence, these contractors and their State Department overseers failed to get the job done. Nor did they ring the

alarm when it became evident that a bad drought, not herbicidal spraying, was the main cause of the short-term decline in Mexico's drug production in the late 1970s.[29] As early as 1978, when Mexican authorities refused to permit the United States to overfly the spray zones to verify the success of eradication, the DEA learned that pilots were either spraying fields with water or unloading their herbicides in the desert. Informants reported that some Mexican officials used the planes for joy rides and pleasure trips, while other officials shook down drug cultivators in exchange for protection from spraying. Reports of this fraud made it into occasional press reports, but these were buried under the State Department's press releases about the Mexican miracle. "We're perpetuating a fraud just by being there," one frustrated DEA official finally told a reporter in disgust.[30]

Only in February 1985, after DEA agent Camarena's murder, did a congressional staff mission report that the State Department's drug eradication program in Mexico was "in a shambles . . . There are no adequate records to indicate how funds have been and are being spent, where commodities have gone and whether they are being used properly. Until recently, the eradication program had no independent verification to indicate whether eradication had actually been carried out, and thus the Mexican statistics provided annually are largely meaningless. Furthermore, much of the eradication which has taken place has consisted of eradicating the same areas over and over again each year . . . The study mission was informed that no evaluation had ever been conducted of the Mexican eradication program.[31] But even this report left the false impression that bungling was the heart of the problem.

Such failures were inevitable given the corrupt record of the two Mexican presidents who oversaw Condor. Luis Echeverria, under whom the program began, appears to have been linked to Sicilia Falcon through his wife, whose family members had suspected ties to the European heroin trade.[32] And Jose Lopez Portillo, who took charge in 1976, reportedly "amassed hundreds of millions of dollars in criminal profits" and bought large estates in Spain with his ill-gotten proceeds.[33] Along the way, top police commanders and prosecutors, especially those in Sicilia's home base of Tijuana, became spectacularly rich as well.[34]

Condor's primary focus on Sinaloa, home of many of Mexico's traditional trafficking families, may well have been inspired by Sicilia himself He paid

huge bribes to direct the operation against his competitors in order to obtain a monopoly on the Mexican marijuana trade.[35] But with his arrest in 1975, the plan backfired. Instead, Condor began working to his competitors' advantage. The main Sinaloa traffickers simply moved to Guadalajara (a city Sicilia once owned) and strengthened their grip. "In a way," notes Elaine Shannon, "Operation Condor/Trizo did them a great service by winnowing out the competition."[36]

Nazar Haro's DFS speeded up that process by providing invaluable protection to the chiefs of the Guadalajara cartel. In 1985, shortly after the murder of DEA agent Camarena, a top U.S. investigator complained that the DFS was "a very big problem." Every time we grab someone, they're carrying a card from the DFS. A lot of people have been issued badges who are not really on the payroll."[37] The DEA agents considered the DFS badges a "license to traffic." Badge holders could carry machine guns, install wiretaps and interrogate suspects. DFS agents "rode security for the traffickers' marijuana-laden truck convoys, used the Mexican police radio system to check border crossings for signs of American police surveillance, and ferried contraband across the Rio Grande by boat."[38] Ernesto Fonseca even employed DFS agents as his chauffeur and bodyguards.[39] In the months after Camarena's murder, Mexican authorities fired a fifth of the organization's 2,200 agents and replaced 19 of its 31 state directors.[40]

But the DFS did much more than simply protect the most notorious traffickers. It actually brought them together as a cartel, centralized and rationalized their operation, snuffed out competitors and through its connections with the CIA provided the international protection needed to ensure their success.

A former DFS consultant known as "Gabriel" disclosed the existence of a vast smuggling operation called "La Pipa" (The Pipe) orchestrated by the DFS. *Time* magazine reported in 1988, Gabriel's disclosure that the DFS "in the late 1970s acquired about 600 tanker trucks, ostensibly for ferrying natural gas from the U.S. for sale in Mexico. On the northbound leg of the trip, DFS men packed the empty trucks with marijuana provided by Mexican dealers and ran ten to twelve trucks a day into Phoenix and Los Angeles. At the border, several Mexican officials and U.S. Customs personnel were bribed $50,000 a load to let the trucks pass. According to Gabriel, the relationship between the traffickers and the Mexican

government agency began in the mid-1970s. Two DFS commanders persuaded the leading smuggling families to settle a bloody feud over control of drug production in the Sierra Madre highlands and to unite against the antinarcotics campaign being waged by Mexico and the U.S. The DFS helped the families relocate to Guadalajara, introduced them to local officials and assigned them bodyguards. In the meantime, the agency, which, among other duties, is charged with keeping tabs on political subversives and works in close contact with the CIA, went after minor traffickers, winnowing down competition to the new Guadalajara cartel. In exchange, the cartel handed over 25% of all its profits to the DFS."[41]

This collaboration between DFS and the traffickers continued after Nazar Haro left the agency in 1982 with the change of Mexican administrations. So, too, did the collaboration of DFS and CIA. Nazar's successor, Jose Antonio Zorrilla Perez, maintained close contact with the CIA station in Mexico City in the early 1980s despite overwhelming evidence of his agency's responsibility for the drug traffic. "They don't give a damn," said one DEA agent of the CIA. "They turn their heads the other way. They see their task as much more important than ours."[42]

Yet the DEA itself, at least at higher levels in Mexico City and in Washington, contributed to the coverup of information ferreted out by brave field agents in dangerous local offices like Guadalajara. It followed embassy orders not to brief congressional missions on the true state of the drug trade in Mexico in the early 1980s.[43] And as late as 1984, when the power and scope of the Guadalajara cartel was fully evident to the field agents, "their superiors in Mexico City and Washington seemed not to notice. Cables to the embassy or the DEA headquarters went unanswered, requests for reinforcements were ignored, calls for diplomatic intervention were ignored. . . . (T)he prevailing attitude among many diplomats, and some DEA officials as well, was that corruption and duplicity had to be suffered for the sake of preserving the 'special relationship' between the United States and Mexico."[44]

One can only speculate whether this "special relationship" also included the support that two of Mexico's most notorious smugglers were giving the Nicaraguan Contras in this same period. Mexico's single biggest smuggler, Miguel Felix Gallardo, responsible for moving four tons of cocaine every month into the United States, was "a big supporter" of the Contras,

according to his pilot, Werner Lotz.[45] Lotz told the DEA that his boss advanced him more than $150,000 to pass on to the Contras. Attorneys for another Mexican trafficker on trial in the United States charged that "From an examination of all the available evidence, it is apparent that various agencies of the federal government, including the CIA, were aware of Felix-Gallardo's cocaine smuggling activities and have purposefully ignored them due to Felix-Gallardo's 'charitable contributions' to the Contras." An assistant U.S. attorney did not dispute Lotz's claim, only that it had any bearing on the government's curious failure to indict Felix Gallardo for the murder of Camarena.[46]

Felix Gallardo's main partner and cocaine supplier was the Honduran-born Juan Ramon Matta Ballesteros. Malta rose to prominence in the drug trade as the supplier of Andean cocaine to the CIA protege Alberto Sicilia Falcon. After Sicilia's downfall, Matta served Felix Gallardo in the same capacity.[47] His wealth has been estimated at $2 billion.[48] Matta established an air transport firm, SETCO, which received $186,000 from the State Department to ferry "humanitarian" supplies to the Contras. According to the Kerry committee's report, the airline "was the principal company used by the Contras in Honduras to transport supplies and personnel for the FDN, carrying at least a million rounds of ammunition, food, uniforms and other military supplies for the Contras from 1983 through 1985. According to the testimony before the Iran/Contra Committees by FDN leader Adolfo Calero, SETCO received funds for Contra supply operations from the Contra accounts established by Oliver North." Yet U.S. law enforcement authorities knew at least as early as 1983 that Matta was SETCO's main owner.[49]

Conclusion

More than just an object lesson of history, this story remains politically significant today. Given the continuing divisiveness of the Camarena murder case as an issue in U.S.--Mexican relations, a congressional investigation of the Mexican Connection seems in order.

This is particularly true since elements of that connection still enjoy great influence within Mexico. Nazar's predecessor as chief of DFS, Javier Garcia Paniagua, was appointed chief of police in Mexico City by President Salinas despite an alleged record of protecting leading drug traffickers.[50] The reported successors to the Felix Gallardo organization, the Zambada family of Mexicanbased Cuban exiles, supplied drugs in the late 1970s to the Cuban Nationalist Movement, a constituent of CORU whose members were responsible for the 1976 assassination in Washington, D.C. of former Chilean ambassador Orlando Letelier. (Jose Dionisio Suarez, recently arrested for allegedly triggering the bomb that killed Letelier, reportedly spent time in Guatemala training the Nicaraguan Contras under Argentine auspices and then served the Colombian drug mafia as a smuggler and enforcer.)[51]

It remains an open question whether elements of that connection still enjoy influence in Washington as well. As recently as 1988, according to former DEA undercover agent Michael Levine, the DEA's top official in Mexico City, Ed Heath, tried to cover up the role of key Mexican officials in the drug trade; Heath had won the scorn of some field agents in Mexico for downplaying the significance of the Guadalajara cartel before the Camarena murder. Considered a "team player" by U.S. diplomats, Heath would seem to reflect an attitude still prevalent in Washington favoring collaboration with Mexican political circles tainted by drugs.[52]

But the biggest question mark of all still hovers over the CIA. It was under the directorship of George Bush that the Agency reportedly backed the formation of CORU, the drug-financed Cuban exile terror organization that enjoyed support from Nazar Haro and his DFS. In later years, as we have seen, the CIA-DFS connection frustrated honest efforts to uncover and dismantle the Guadalajara connection. Today, President Bush has assigned the CIA to a strategic role in the "war on drugs" as coordinator of international drug intelligence. Perhaps the demise of the Soviet threat will permit a rapid and successful reorientation of the CIA's mission to put the gift against drugs ahead of the fight against communism. But its institutional history since the 1940s gives no cause for untempered optimism.

Notes

1. Jonathan Marshall, Drug Wars: Corruption, Counterinsurgency and Covert Operations in the Third World (Forrestville, California: Cohan and Cohen, 1991).
2. Drug Enforcement, July 1978.
3. Der Spiegel, May 9, 1977.
4. James Mills, Underground Empire (New York: Doubleday, 1986), pp. 360-61, 357, 521, 548, 73, 619.
5. Mills, Underground Empire, pp. 608-609.
6. COUR's CIA connection is further suggested fy the fact that five of its founders later turned up as key supporters of the Nicaraguan Contras in the Regan-Bush administration: Frank Castro, Armando Lopez Estrada, Jose Perez Franco, Luis Posada, Jose Dionisio Suarez. Federal authorities recently arrested Suarez for the murder of former Chilean ambassador to the United States, Orlando Letelier (New York Times, April 12, 1990).
7. John Dinges and Saul Landau, Assassination on Embassy Row (NY: Pantheon, 1980); John Cummings, "Miami Confidential," Inquiry, August 3, 1981 [WFC, drugs and Guillermo Hernandez-Cartaya].
8. Justice Department informant report; John Cummings, ms. "US Intelligence and International Terrorism."
9. Eugene Propper and Taylor Branch, Labyrinth, p. 185.
10. Justice Department informant report; Cummings, "US Intellegence and International Terrorism."
11. Victor Marchetti and John Marks, The CIA and the Cult of Intelligence, (NY: Knopf, 1974), p. 131.
12. Arizona Daily Star, April 13, 1984; September 5, 1984; September 7, 1984; Guillermo Garcia letter, May 15, 1984 [Murray, Nazar, Durazo]: Washington Post, July 24, 1979 [Durazo]. Durazo established a political police organization, the Directorate of Investigations for the Prevention of Delinquency, that earned a reputation of brutality and corruption but which would have been a valued source of information to mre than one American agency. See San Jose Mercury News, January 15, 1983.
13. "Background Establishing a Clandestine Collection Gathering Effort Within DEA," memorandum to George Belk, October 8, 1974.
14. New York Times, April 1, 1985.
15. Elaine Shannon, Desperados (New York: Viking, 1988), p. 180.
16. Quoted in Cummings, "US Intelligence and International Terrorism"; cf. New York Times, March 28, 1982.
17. Shannon, Desperados, pp. 180-183; Washington Post Weekly, February 13, 1989; Washington Post, April 6, 1982.
18. Shannon, Desperados, p. 65.
19. New York Times, December 24, 1980. Cf. Dominick DiCarlo, assistant secretary of state for international narcotics matters, testimony to House Select Committee on Narcotics Abuse and

Control, June 22, 1983, cited in Shannon, Desperados, p. 130.

20. International Study Missions, Summary Report, 1984, pp. 4-6. Cf. Shannon, Desperados, p. 132.

21. Oakland Tribune, February 26, 1985.

22. Shannon, Desperados, pp. 2-3.

23. Shannon, Desperados, pp. 128-129.

24. Washington Post, May 12, 1985. This account notes that the State Department wanted to play down these inconvenient facts.

25. New York Times, November 23, 1984.

26. Proceso, April 17, 1989.

27. Oregonian, August 14, 1988; Shannon, Desperados, pp. 62-63; Time, April 7, 1986.

28. Report on a Staff Study Mission . . . To the Committee on Foreign Affairs, House of Representatives, US Narcotics Control Programs Overseas: An Assessment, February 22, 1985; Frank Forrestal, "The Sinai-American Connection," MERIP Reports, No. 63, p. 20.

29. Shannon, Desperados, p. 109.

30. Shannon, Desperados, pp. 67-69; Peninsula Times Tribune, February 18, 1980, citing an expose in the San Diego Union: Newsweek, December 16, 1985.

31. Report of a Staff Study Mission . . . To the Committee on Foreigh Affairs, House of Representatives, US Narcotics Control Programs Overseas: An Assessment, February 22, 1985, pp. 37-38.

32. Mills, Underground Empire, p. 550.

33. Mills, Underground Empire, p. 1157; Kerry hearings, IV, p. 93.

34. Shannon, Desperados, p. 67.

35. Mills, Underground Empire, p. 101.

36. Shannon, Desperados, p. 67; cf., April 17, 1989.

37. New York Times, April 21, 1985.

38. Shannon, Desperados, p. 179.

39. Ibid., p. 8.

40. Los Angeles Times, June 7, 1985.

41. Time, March 17, 1988; cf. Shannon, Desperados, pp. 186-187. The use of tanker trucks to smuggle marijuana was one of Sicilia Falcon's great innovations.

42. Shannon, Desperados, p. 186. For overwhelming evidence of Zorrilla's ties to drug lord Rafael Caro Quintero, a principal suspect in the Camarena murder, see Excelsior [Mexico City], August 1, 1989. Zorrilla has also been accused of the murder of muckraking Mexican journalist Manuel Buendia (Los Angeles Times, June 13, 1989).

43. Shannon, Desperados, p. 132.

44. Shannon, Desperados, p. 9.

45. Lotz was also a piolot for Robert Vesco in his Costa Rica period in the mid1970s. See Kerry Hearings, IV, p. 666.

46. Los Angeles Times, August 19, 1988, and August 31, 1988.

47. Wall Street Journal, November 20, 1986; Shannon, Desperados, p. 61.

48. United Press International, June 30, 1980.

49. Kerry report, pp. 43-44.

50. Washington Post Weekly, February 13, 1989.

51. See Peter Dale Scott and Jonathan Marshall, Cocaine Politics: Drugs, Armies and the CIA in Central America (Berkeley: University of California Press, 1991), chapter 2.

52. On Heath, see Shannon, Desperados, p. 126; Michael Levine, Deep Cover (New York: Delacorte Press, 1990), pp. 269, 282-83, 285, 288.

9

A Smuggler's Paradise: Cocaine Trafficking Through The Bahamas

Bruce Bullington

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Introduction

This paper analyzes the unique role The Bahamas have come to play in contemporary narcotics trafficking. During the last two decades these islands have taken on major significance as transhipment locales for illicit drugs, especially cocaine and marihuana, as they are in transit from source nations in the Carribean, Central and South America to the United States via the Florida coast. Estimates of the total volume of drugs moved in this manner and the percentage of all drugs entering the United States through The Bahamian corridor vary widely.[1] Such projections are necessarily highly speculative, at best educated guesses; as such they are subject to many potential sources of error. The figures are extremely consistent, however, in identifying this region as critical to, and perhaps the linchpin of, the contemporary cocaine and marihuana trade in the Americas. During the 1980's awareness of the pivotal role played by The Bahamas in the drug

business resulted in many U.S. sponsored joint programs aimed at curtailing illegal activities there. Despite these attempts, a 1988 U.S. government report, for example, concludes, "The Bahamas continues to be a major transit country for cocaine and marijuana entering the United States, and is an important money laundering center."[2]

In 1983 journalists working for the Miami Herald conducted an investigation of charges made by convicted smugglers, allegations of participation in drug corruption by Bahamian officials; the special report they published described that nation as "a smuggler's paradise".[3] That designation could have been applied equally appropriately much earlier in this century, for citizens of The Bahamas have had a long history of participation in a variety of illegal activities. In this century these actions began with rum and liquor running to the U.S. which flourished during Prohibition. Following the passage of the Twenty-First Amendment, illicit liquor trafficking quickly lost its appeal and the entrepreneurs who had profited so handsomely from it sought alternative revenue sources while the Bahamian national economy floundered.

During the 1940's the promotion of tourism in The Bahamas was seen as having great potential for stimulating the stagnant economy and the government took tentative actions to encourage its development. These efforts soon began to bear fruit and during the 1950's and especially the 1960's the region also developed a reputation as a popular gambling center. Casino operations were organized and run by American professional criminals in collaboration with a white Bahamian group known as the "Bay Street Boys", the network of white businessmen, attorneys, bankers and other influential who had prospered by directing liquor smuggling operations during Prohibition. Organized criminals from the United States bankrolled most of the casinos, taking advantage of the islands strategic geography and local bank secrecy laws, investing their considerable fortunes in a vast array of tax havens protected from the prying eyes of the U.S. Internal Revenue Service. They were joined in this endeavor by many U.S. based individual investors and corporations wishing to shield funds from taxing authorities.

Throughout this period the Bay Street Boys controlled Bahamian politics and effectively disenfranchised the black majority. Ultimately the group's excesses caught up with them, however, and following a major exposé and investigation of organized crime's influence in the local casino industry, the

Bay Street crowd lost their political clout and were replaced by a group of black politicians associated with the Progressive Liberal Party (PLP). The PLP leader was a young attorney by the name of Lyndon Pindling who became the first black Prime Minister of The Bahamas in 1967, following his party's victorious sweep of the special elections held that year in the wake of the casino scandal.

In 1973 the former colony of The Bahamas declared its independence from Great Britain, although retaining membership in the British Commonwealth. In the years immediately preceding Bahamian independence and since, Lyndon Pindling has deftly retained the Prime Ministership despite a great deal of heated controversy regarding the known illegal activities of various members of his cabinet including many different forms and incidents of corruption. In some of these cases, Pindling has been accused of personally accepting bribes and of participating in an array of shady dealings such as have typified that nation's leadership at least since the ascendancy of the Bay Street Boys. Not coincidentally, the most recent allegations against members of the PLP developed simultaneously with the rapid proliferation of the drug trade throughout the region. And all of this has occurred during the successive administrations of Prime Minister Pindling.

Given the facilitative role The Bahamas have come to play in the mercurial growth of the U.S. drug trade in the last two decades, it is puzzling that United States government officials have done so little publicly to either criticize or coerce their Bahamian counterparts to cooperate with the hegemonic demands posed by architects of our current escalating War on Drugs. In the following pages I will explore the apparent contradictions between U.S. drug policy and other State Department foreign policy concerns and how each of these has been played out in The Bahamas. Briefly, it will be argued that the traditional concern with anticommunism that has dominated U.S. foreign policy since World War II may be responsible for the reluctance of U.S. officials to aggressively take on The Bahamian government for its complicity in, or at least tolerance of, endemic drug smuggling.

History of the Region

It seems likely that the role The Bahamas plays in contemporary narcotics trafficking can be largely attributed to two factors. The first of these is an accident of geography; many of the islands comprising that nation happen to be situated directly off the eastern coast of the United States. The closest of its 29 islands and 661 cays (mostly uninhabited) is located only 60 miles from Palm Beach, Florida[4] This proximity to the U.S. mainland has made The Bahamas an ideal location for the clandestine operations of smugglers moving contraband goods from source countries, in this case located primarily in Central and South America, to their ultimate destinations in the United States.

The second factor is an outgrowth of the recent history of the region. Prior to the successful revolution led by Fidel Castro in 1959, Cuba had served as a favored playground of the rich and famous from the U.S. and elsewhere. The Cuban tourist industry was at that time extremely lucrative, the mainstay of the nation's economy; this archipelago provided not only an idyllic vacation spot, but also offered a variety of popular "diversions" such as casino gambling, prostitution and narcotics. Following Castro's victory, however, things changed dramatically. The casinos were taken over and dismantled by the new socialist state, casino operators were imprisoned or run out of the country and the Cuban middle class citizens who had provided a variety of talents needed to support the tourist-driven economy were forced to flee to Florida.

These turbulent events spurred Bahamian government officals to step up their promotion of tourism and casino gambling in the early 1960's, thereby quickly taking advantage of the new political situation in Cuba. Thus, The Bahamas came to assume a role similar to the one Cuba had played earlier. As noted above, entrepreneurs backed by U.S. organized crime figures opened casinos and advertized the islands as tourist meccas, featuring remote and secluded beaches, diverse shopping areas and an active night life. The economy was diversified too and given a shot in the arm through the development of a substantial local banking industry. Here foreign investors were enticed to deposit their monies in Bahamian banks, encouraged by bank secrecy laws, virtually no taxes and an almost endless variety of investment opportunities.

While these strategies proved to be exceptionally effective in developing some components of The Bahamian economy, and the white power structure reaped extraordinary benefits from the success of the efforts, the

black majority did not share in this windfall. A black political party had been formed though, and this organization enjoyed considerable popularity among the black majority. It seemed, however, that they had little chance of unseating the powerful entrenched white interests that had dominated for so many years. But unexpected help came in the form of an investigative report published in the Wall Street Journal on October 5, 1966.[5] Reporter Stanley Penn, with the assistance of Monroe Karmin, broke the story that gambling had been first introduced into Freeport in the form of a casino controlled and run by American organized criminals, aided by Bahamian government officials.[6] Based on this sensational revelation, the PLP and its backers called for the appointment of a Royal Commission of investigation to look into the charges. Officials responded by quickly calling for elections in order to demonstrate continued public confidence in their leadership. The PLP continued its attack, however, and steadily gained ground on the ruling party. Pindling made race a central issue in the campaign and appealed to black voters to throw the incumbents out of office, saying,

> "Over the last four years our beloved Bahama Islands have been steered far off course. The Ship of State is now caught in the Sea of Shame and Corruption. The Ship of the Bahamas has been steered by men who have put personal gain before country, who have placed tourist figures before God. We believe it is time for a change. Time for the Ship to be steered back into more peaceful waters. We believe it is time that we put God first."[7]

When the election was held Lyndon Pindling's Progressive Liberal Party prevailed, successfully unseating the entrenched white minority. There was little question but that the scandalous revelations of the Wall Street Journal article had precipitated the fall from power of the dominant United Bahamian Party. In this manner the group that had controlled the nation's politics for decades was unseated, never to regain the strength they once had.

The Emerging Role of The Bahamas in Drug Trafficking

During the last two decades The Bahamas has repeatedly been implicated in the international drug smuggling trade, especially for its participation in transhipping cocaine and marihuana destined for United States consumers. I noted above that these islands have long been havens for smugglers and other criminals, although drug crimes were not until recently a major part of their repertoire. Beginning in die 1970's this changed, and by 1988 it was estimated that between 40-80% of all cocaine and marihuana entering die United States first passed through The Bahamas.[8]

A brief glimpse at a map illustrates The Bahamas' strategic geographic location relative to the United States coastline and reveals how it has come to play such an important role in the contemporary drag trade. The nation of The Bahamas is comprised of 700 islands and cays spread out over more than 250,000 miles of ocean. The smaller cays are either uninhabited or only sparsely populated; most feature secluded boat anchorages, and many provide unattended landing strips designed for use by the small planes of tourists and well-to-do Bahamians.

When The Bahamas is viewed in relation to the primary source countries for cocaine and marihuana, its pivotal location is clearly evident. The most efficient air route from South America is directly over that nation, and drug smugglers have been quick to take advantage of that fact. Of course, when U.S. enforcement activities disrupt the Bahamian connection, less efficicient Mexican routes are turned to.[9] As these pressures ease though, the preferred Bahamian route is once again utilized by cost-conscious smugglers.

Drug shipment methods throughout the region have remained fluid, allowing for quick adjustments to compensate for the disruptions caused by interdiction efforts. There are, however, a variety of preferred techniques. In the period before the market expanded exponentially in the second half of the 1970's, "mules" were often used to bring in relatively small amounts of the drugs on their persons. In some recent instances individual couriers were hired to simply act as passengers on commercial flights into the United States with drugs hidden on or in their bodies, dispose of the

contraband and then take a return flight on the same day. The 1989 Avianca crash in New York, for example, revealed that at least two passengers had been "body packing" substantial quantities of cocaine concealed in prophylactics. they had swallowed. A second popular smuggling technique involves the use of large cargo planes to ferry the drugs from source nations into The Bahamas or the Caribbean (The Bahamas are but a five hour flight from Colombia). These planes are then offloaded in a transhipment country and the drugs are reloaded on much smaller and faster aircraft or speedboats (scarab or cigarette types) for the last leg of the trip. A third method, and one that was especially common during the early period of drug smuggling through this region, featured the use of large mother ships to transport huge quantities of drugs from source countries into The Bahamas. These vessels would then anchor offshore and the valuable cargo was offloaded onto fast boats or planes. Occasionally helicopters have also been enlisted to ferry drugs from one ship or plane to another.

Bahamian government and police officials have known about the existence of widespread local drug smuggling operations since at least the mid -1970's. In 1971 the Police Marine Division was formed and given responsibility for enforcing immigration, fishing and drug law violations occurring in Bahamian waters. It was clear at the time, however, that the drug concern was not then viewed as nearly as significant as the other issues. The earliest arrests for drug smuggling violations occurred in the mid -1970's; all of these cases involved unarmed nonBahamians transporting relatively small (by modern standards) amounts of marihuana. Nearly all of these arrests resulted in the defendants posting cash bond and then forfeiting it by fleeing the area, so very few convictions were recorded.

By the late 1970's the tempo of these drug smuggling activities through The Bahamas had picked up dramatically, consistent with the explosive growth of cocaine use in the United States. Police noted that for the first time locals were known to be involved in the trade, although often only as peripheral figures. In some instances local citizens accidentally found drugs floating in the ocean at some smuggler's prearranged dropoff point or came across a hidden stash on some remote cay. Sometimes these serendipitous discoveries resulted in the locals removing and selling the drugs before their owners could collect and transport them into the United States. Predictably, the persons who were being "ripped off" in these relatively low level entrepreneurial activities disapproved of the locals' behavior and responded

by arming themselves (often with automatic weapons) and hiring thugs to guard such caches until they could be safely moved off the islands.

Not only was the volume of smuggling increasing by the late 1970's; the trade also reflected much greater organization than before. Very large shipments had now become the rule, and it was not unusual to find whole fleets of extremely fast speedboats waiting on line by a mother ship to be loaded for the final dash to the United States. The primary drug transported earlier in the decade had been marihuana; now cocaine and hashish were also common. Local residents participated in the trade as day laborers; some assisted in the loading process while others were hired to act as lookouts for the police or anyone else who might jeopardize the operations. The airstrips on outlying islands were reported to be in much more frequent use than legitimate tourism and other local business might justify.

If these events were not sufficient to serve notice that The Bahamas was quickly turning into a major narcotic transhipment area, several record police seizures in 1979 should have clinched the case.[10] In one instance a Bahamian police commander, Lawrence Major, followed a small plane onto an isolated landing strip on an island located in the Exuma chain. Based on his suspicions, he searched the plane and discovered 247 pounds of pure cocaine on board, at the time a record seizure thought to be worth some $2 billion on the retail market! The same commander was responsible for a second record haul as well, locating a huge supply of marihuana stored on Black Rock off of Grand Bahama Island. Curious about its mass, he carefully paced it off and found the pile to be approximately six feet in height and more than two miles long!

These startling discoveries led the police to conduct their own in-depth investigation of the Bahamian drug situation in 1979; the study included findings and recommendations that were submitted to government officials. One recommendation was that a police specialty unit be established that would concentrate its activities on the rapidly growing number of drug related crimes, A second suggestion called for the purchase of a great deal of new equipment to assist the police in fighting the drug war. It was claimed, undoubtedly accurately, that traffickers possessed far superior boats, planes and armaments to those the police had. A third recommendation was that a sophisticated drug laboratory be funded; these facilities would be made accessible to the local police and other enforcement units, thereby enhancing the likelihood of successful

prosecution of drug crime cases. Finally, it was suggested that Bahamian government officials work much more closely and cooperatively than they previously had with law enforcement units within the United States.[11] Such international collaborative efforts were seen as necessary first steps in working toward the reduction and eventual eradication of the escalating drug problem.

Despite the level of concern and sense of urgency expressed in the report, and the extensive documentation of rapidly expanding local involvement in drug trafficking, the police committee's recommendations had no noticeable impact on Bahamian authorities as measured by their failure to implement any of them. Additionally, even though there had been an alarming increase in the number of reports by residents and travelers of "suspicious activities" occurring on outlying islands, police forces were neither expanded to meet the threat nor encouraged to investigate such complaints. In the few instances when raids were actually planned and executed, police often arrived on the scene to find the suspects had been forewarned and removed incriminating evidence or had fled. In those few cases where arrests were actually made, the charges filed were minor and, following the posting of bail, the suspects simply absconded.

The many indicators of Bahamian complicity in the drug trade were of particular concern to drug enforcement personnel in the United States, and especially those stationed in South Florida. For years these agents had been told by informants and arrested smugglers that Bahamian officials were "on the take", providing a safe haven for those in the business of moving drugs. These persistent reports indicated that corruption permeated even the highest levels of government, including several Cabinet Ministers and police administrators. In response to these allegations, in 1979 the Broward County Sheriffs Department conducted a drug sting operation in The Bahamas without first obtaining that government's permission to do so.[12] Later when this unannounced foray was discovered by Bahamian officials, they responded angrily to what they appropriately saw as a blatant violation of their nation's sovereign status. Finally, three prominent PLP members were indicted in Florida in 1983. They were charged with selling protection to drug smugglers. These events set the stage for the expose that was about to occur.

Exposé

The spotlight of public attention was focussed on The Bahamas following an NBC Nightly News "special", broadcast in the United States on September 5, 1983. This report was the culmination of an extensive investigation of charges brought by convicted drug traffickers who claimed to have been paying off well connected Bahamian professionals and government officials in exchange for their protection, money laundering services, immigration favors and the like. Predictably, Bahamian government representatives responded immediately, charging that both the U.S. government and the media were conducting a witch hunt and that in doing so they had accepted the claims of convicted felons over those of more trustworthy local officials.

Given the gravity of the charges and the extensive and continuing repercussions from the broadcast, Prime Minister Pindling had to do something. Ironically, he now found himself in the same uncomfortable position that the Bay Street Boys had occupied during the casino corruption scandal of 1967. On November 28 a Royal Commission of Inquiry was appointed for a three month term to investigate the allegations of official corruption related to drug smuggling activities.[13] Pindling made it clear to the Commission that drug corruption was to be their sole consideration, however, thereby severely restricting the scope of their inquiry. Pindling's actions were thought to be motivated by his concern about possible inquiries into banking irregularities throughout The Bahamas, as that industry had become a mainstay of the otherwise dismal economy.

Concurrent with the ongoing official Commission deliberations, several foreign news organizations sponsored their own independent inquiries into the Bahamian situation. Both The Miami Herald and the "Insight" investigative team of the London Sunday Times completed major stories which resulted in many new disclosures as well as corroborating those made earlier in the original NBC report.[14] Among other things, they found that a number of Bahamian islands had effectively been taken over and then divided up by different drug smuggling organizations which used them as bases for their illegal operations.

As pressure brought about by these revealing accounts continued to build, Prime Minister Pindling and Attorney General Paul Adderly tried to

defuse the situation by taking the offensive, charging the reporters with irresponsible journalism and the United States officials with participation in a conspiracy to unseat the Bahamian government.[15] Included in their spirited defense was the charge that certain witnesses against them had been "planted" by the U.S. and that the Commission was being systematically misled by common criminals.[16]

Despite these official protestations, the Commission quickly established the fundamental truthfulness of charges that The Bahamas had become a haven for drug traffickers. They found too that Bahamian society itself had been transformed by the corrupting influence of drugs and drug money. Earlier most locals had externalized the drug problem, seeing it as a non-Bahamian issue, more relevant to other nations like the United States. This perspective had been reinforced by local drug prosecution statistics. In 1981, for example, only five native Bahamians were arrested for drug trafficking, compared to 93 Colombians and 52 U.S. citizens.[17] More recently, however, the lucrative drug trade was seen as having crippled that nation's legitimate economy, by offering fast and easy money incentives to those who otherwise would have accepted low paying legal work in the tourist service industry, for example. It was noted that many young children were being employed by drug traffickers and, due to the excitement associated with the enterprise and the easy money, they were no longer willing to attend school regularly. These youngsters were allegedly being paid as much as $500 for an afternoon's work; when stopped for questioning by the police, some were found to be in possession of as much as $6,000. Another concern was skyrocketing domestic drug use which had never been a significant problem before. By the early 1980's, however, it was reported that as many as 80% of poor adult males were freebasing cocaine and the one mental health center on the islands had come to be populated largely by cocaine addicted patients who had displaced the more traditional mental health clients.[18] Property crimes were also on the rise, and police claimed that this too was directly attributable to increases in local drug use.

Thus, the investigation revealed that the drug trade had served as a major corrupting influence on a variety of Bahamian institutions. The banking industry serves as one conspicuous example of how a business can be both courted and "captured" by hustlers engaging in illegal activities. Of course the banks were willing participants. As noted earlier, banks in The Bahamas

had long enjoyed the benefits provided by American and other foreign investors who used offshore facilities and services to avoid or minimize taxes in their home countries. Moreover, Bahamian bank secrecy laws protected such investors from outside scrutiny, as their records were not open to external investigation. The usual arrangements included a Bahamian lawyer "fronting" for the person or organization involved, through the formation of a "shell" corporation. Under this agreement the actual beneficial owner(s) remained anonymous, although Bahamian law required that the lawyer involved investigate their backgrounds and report their name(s) and the findings of their study to the Central Bank. In practice, these attorneys rarely conducted such investigations, although they usually did report the names of beneficial owners to the Central Bank as required by law. In most instances the investors who had formed these corporations would then launder huge sums of cash through these accounts by paying their Bahamian attorney a percentage of the total amount moved in this manner in exchange for their services rendered. Needless to say, all parties to these agreements, including the banks, profited handsomely from such transactions.

None of the foregoing is meant to suggest that these tactics are unique to The Bahamas, for they have become commonplace throughout the Caribbean region during the last decade. The combination of bank secrecy laws and the elimination of witholding taxes on local investments by foreigners have proven attractive both to those involved in illegal businesses (such as drugs), and others (corporations and individuals) who are illegally shielding legal income by depositing their resources in these institutions.[19] Evidence of the recent growth of these practices is abundant. One example is provided by Little Anguilla, a small island which had only 3 banks in 1980; by 1983 it had 96, only one of which had a vault.[20] Despite the rapid proliferation of such illegal activities, however, the U.S. authorities seem solely interested in the drug related crimes. Between 1978-1983, for example, the United States Internal Revenue Service investigated 161 drug cases; they accounted for 85% of all IRS criminal cases originating in the Caribbean region involving illegal income.[21]

Bimini

The example provided by the island of Bimini graphically illustrates how corrupt Bahamian institutions had become. This archipelago is located a short distance off the coast of Florida. Due to its convenient geographical placement, it became an extremely popular haven for drug smugglers. By 1979 the strip of land adjacent to the unlighted local airport landing strip was strewn with the rusting carcasses of planes that had crashed earlier while trying to run drugs in and out of the island at night.[22] There were also numerous reports of sea piracy of drug shipments occurring just off of the island.

Given the widespread knowledge that Bimini was being used tor the transhipment of drugs it was not surprising that the Bahamian police would eventually have to investigate the goings on there. On those occasions when they attempted to do so, however, they generally came up empty handed, or the raids resulted in few arrests and confiscations. Suspicions that local policemen had been informing smugglers about these planned actions were confirmed in 1979 when, following a successful surprise raid, a police official answered the phone in the local police station and was asked by the caller, "Man, why you did not tell us what was going on?" Further, when the officers tried to remove the confiscated drugs they were stoned by local children. Based on this experience the police command structure concluded that the island was totally out of control.[23]

Commission evidence also indicated that Bimini had been a favored transhipment site. One police officer testified that he and several others had been ordered to guard a confiscated DC-3 with a large payload of marihuana on board. During the next few days while the officers were on duty there, they sold large quantities of the drugs to various United States and Bahamian buyers who offered to purchase them. The officer reported that the small amount of "pot" not sold at the end of this period was burned.[24] In another case the United States DEA reported to Bahamian authorities that a drug shipment was about to come through Bimini. At the designated time when the drop was to occur a flotilla of 15 small speedboats were waiting in line offshore. When the police launch approached them, however, the officers were repelled by machine gun fire and could not catch the smugglers in their faster craft. In yet another instance a Bahamian politician who lived on the island complained in writing to the Prime Minister that there were constant night flights into the local airport despite the fact that the landing strip was not equipped with

lights. Pindling assured the complainant that he would advise the government ministers, but as usual, nothing ever came of the original complaint. A final case involved a police official visiting the island who observed children in possession of huge sums of cash; he also overheard conversations in local restaurants having to do with drug shipments and payoffs to local police.[25]

The criminal justice statistics for this period clearly demonstrate that Bimini was indeed a safe haven for drug smuggling activities. Police figures for the years 1978-1983 reveal regular annual increases in the number of drug arrests, and a grand total of 191 arrests for the entire five year period. Though unremarkable by itself, the latter statistic is much more interesting in what it reveals about The Bahamas when we note that all of these arrests led to imprisonment for only one individual, and that person was a native!

Banking figures gathered by the Commission were equally enlightening regarding Bimini's role in the drug trade. At the time the island had only one small bank and its cash supply (especially U.S. currency) was regularly shipped to the Central Bank each week. Between 1977-1983, more than $31 million in U.S. dollars were shipped to the Central Bank to be deposited to the credit of Bimini residents, and none of it could be identified as the product of legitimate business transactions! These huge cash deposits are especially meaningful when viewed in relation to the balance of payment figures for the entire Commonwealth of The Bahamas. The 1983 figure of $12.2 million in Bimini deposits, for example, is by itself one-half again as large as the $8.7 million owed on the balance of payments for the entire Commonwealth! It should be noted that this $12.2 million dollar figure undoubtedly does not come close to representing the actual amount of drug money passing through Bimini during this period, for it is thought that most such "hot money" was transferred directly to U.S. or British banks.

The evidence developed by the Commission documenting the changes that had taken place in Bimini as a result of drug trafficking activities there was very disturbing. The same story was found to apply as well to other islands throughout The Bahamas. In their deliberations the investigating body found major drug involvement associated with at least 12 other islands, although that number surely significantly underestimates the total that were actually being used for that purpose by the traffickers. Perhaps the single most egregious case was that of Norman's Cay, a centrally located

small island that served for years as the headquarters of the notorious "minister of transportation" for the Medellin Cartel, Carlos Lehder Rivas. We turn now to that fascinating case for what it reveals about both the extent of drug corruption in The Bahamas and the willingness of United States authorities to overlook or minimize these violations because of what were then thought to be more pressing and important concerns (maintaining good relations with The Bahamian government).

Norman’s Cay

The original plans for development of Norman's Cay were filed in 1969. They called for a subdivision of the land into individual lots for private residences and the completion of a community clubhouse to be shared by all investors. The Cay quickly became a popular haven for yachtsmen and vacationers, due to its deep harbors and beautiful surroundings. It was also conveniently located, only 40 miles south of Nassau, the capitol of The Bahamas. By 1975 a number of these lots had been sold to private owners who had then built homes on them. A resort hotel had also been completed and tourists were beginning to take notice. As a consequence of all of this activity, a number of outside investors became very interested in the Cay for its profitable development potential.

Toward the end of 1978 a substantial portion of the remaining available real estate was bought by International Dutch Resources Limited, a shell company that had just been formed by Carlos Lehder with the assistance of a Bahamian attorney. Shortly after the purchase Lehder arrived with his entourage, mostly fellow Colombians. Residents of the Cay soon began reporting many "unusual activities" on his property, and a startling change in atmosphere. Armed guards began regular patrols of Lehder's property in jeeps and they took advantage of every available opportunity to intimidate local residents. Vicious guard dogs were brought in as well, also frightening the locals. Many planes were observed coming and going at all hours of the day and night. Lehder had installed several large hangars, a sophisticated and costly communication system and lights for night landings at the airport. Although local residents were supposed to have access to the

airstrip, Lehder and his men took control of the facility and announced that they were closing it to others.

As one would expect, the island's permanent residents were very disturbed by these intimidating activities and many filed complaints with police and other government officials. One resident and investor on Norman's Cay, Philip Kniskern, for example, filed a number of complaints regarding Lehder's activities. Kniskern had originally come to the Cay in 1975 when he purchased the property immediately adjacent to the landing strip and the local hotel. By 1978 he had built three villas on the vacant land, leased the hotel and developed a diving business, anticipating continued growth of the tourist business on the island. Just as his investments were beginning to pay off, however, Lehder arrived on the scene and everything changed. Kniskern was informed that bookings for his hotel and villas would no longer be honored and that he would no longer have use of the landing strip.

After filing complaints and obtaining no government intervention, Kniskern eventually was forced by circumstance to lease his villas to Lehder for one year. The latter used these dwellings to house a number of his employees. When the lease expired at the end of the year, however, Kniskern offered one of the villas to the Bahamian police free-of-charge, hoping thereby to force the evacuation of the Colombians. This move proved successful for the police accepted the offer as they had decided by that point to establish a permanent presence on the Cay, in response to the complaints they had received. When Kniskern subsequently checked the condition of his villas, he found the Colombians had vandalized all of them. He claimed that his $300,000 investment was a total loss.[26]

The diving business owned by Kniskern had been leased to a Professor Richard Novak who, like Kniskern, soon became suspicious of Lehder's actions. The armed guards approached Novak and informed him that his diving business was to be closed and that he must leave the island. Intimidated by the threat, Novak left. He later returned with his son to collect the diving equipment which he had not been able to take with him earlier. When he arrived at the airport his plane was surrounded by Lehder's men who threatened him again. He persevered, however, and left the plane to get his scuba gear, but was forcibly denied access to it and ordered to leave. Returning to the plane he discovered that his luggage had been vandalized and that Lehder's men had drained most of the fuel from the

aircraft. Novak and his son were then forced at gunpoint to take off, despite the shortage of fuel. As he lifted off the ground, he put the plane in a steep climb, knowing that it would soon run out of fuel and hoping that he would be able to glide to a safe landing on some nearby island. This strategy worked, and although he was forced to make a dangerous emergency landing, Novak was thankful just to have survived the experience.[27] Surprisingly, he returned to the island in 1982 and briefly took up residence in one of Kniskern's villas (as noted above, the police were now occupying one of these residences). While living there he had a motorcycle stolen and a boat vandalized, both of which he reported to the police. Nothing ever came of these complaints, however.

It should be noted that both Kniskern and Novak had riled many official complaints over these actions with the police, the United States Embassy in Nassau and the Prime Minister. While reporting that they were always politely listened to and treated respectfully, none of their complaints was ever resolved to their satisfaction.

Responding to the frequent complaints about Norman's Cay, House of Assembly member and leader of the Free National Movement (FNM) Norman Solomon, determined to take a look for himself while sailing in the vicinity in July 1979. As he passed close by the island he saw that he was being observed and photographed by a group of men in jeeps whose vehicles paralleled his boat's movements. On his return voyage several days later he decided to investigate further, anchored his boat and swam to shore. He was soon accosted by some very large men, accused of trespassing on private property and ordered to leave. He refused, informing his tormentors that under Bahamian law, no one owns the shore below the high water line. The men left and then reappeared with another who claimed to be the manager of the property. This person said that he would not be responsible for Solomon's safety if he ventured above the high water mark. Solomon left the Cay and filed a written complaint with the Police Commissioner that detailed his experiences at the hands of Lehder's employees.

The smuggling operation on the Cay was described by a pilot, Edward Ward, who had established a business relationship with Lehder shortly after he arrived on the island. Ward related that he agreed to fly ten loads of cocaine for Lehder over a one year period between January 1979 and early 1980. Several of these flights went directly from Colombia to Florida. On other occasions he flew from Colombia to Norman's Cay or from the Cay to

Florida. The pilot was paid $400,000 per trip; each shipment was supposed to consist of about 250 kilos of cocaine. Ward discovered, however, that without notifying him, the size of the shipments had been significantly increased; as a consequence, on one occasion he was nearly unable to get the plane airborne due to its excessive weight. Ward estimates that during the year he worked for Lehder, he successfully transported at least 3,000 kilos of cocaine into the United States.

Given the level of suspicious activities occurring on the Cay shortly after Lehder's arrival, and the serious complaints filed by responsible residents of the island, it is astonishing that the first police raid of his property did not occur until September, 1979. As if these early clues had not been enough, Bahamian police had twice been put on notice during 1978 and 1979 when the American DEA obtained permission from the Ministry of Foreign Affairs to conduct undercover operations out of the Cay. In 1979 the Free National Movement (the Opposition Party) led by Norman Solomon also requested an official investigation of the goings on at Norman's Cay.

Official notice of the problems on Norman's Cay first occurred in March, 1979 when Commissioner ACP Major put together a long list of criminal acts alleged to be occurring there and recommended immediate action. In this instance "immediate action" was taken some six months later, for the raid was not conducted until September, and then, inexplicably, only when ACP Major (who was to have headed the operation) was on leave. The actual raiding party consisted of some 90 police officers and was led by a person who was not at all familiar with the case. The operation was conducted like a military invasion because of the threat posed by Lehder's well armed men. Those involved had no idea what Carlos Lehder even looked like, however, and the warrants being executed contained no specific names. In the end the raid resulted in the confiscation of a small amount of drugs (taken from the homes of Lehder's men), automatic weapons, handguns and several other relatively minor offenses. A number of people were arrested although only one was ever convicted of anything; he was a Bahamian found guilty of illegal possession of a shotgun.

During the ensuing months two other police raids were conducted on Norman's Cay. Neither resulted in any arrests or drug confiscations. It was clear to all, that despite careful planning, someone working with the police was tipping Lehder off about these impending actions. He was well connected politically and effectively used his vast wealth to develop a

coterie of followers who kept him informed of any potentially threatening police activity.

It was noted earlier that a permanent police presence had been established on the Cay in October 1981. One might think that this would have resulted in a sharp decrease in, if not the total elimination of, drug related activities there. This reduction did not occur, however, as Lehder either bought off or intimidated the officers stationed there. In any event, these policemen claimed they had never even been shown a picture of Lehder and, unlikely as this seems, indicated they would not have been able to recognize him.[28] There is convincing evidence that Lehder was present on the Cay at least well into 1982 and probably longer than that and that his operations there continued unabated, despite the permanent police presence.

Lehder's bravado was reflected in his preparations to celebrate Bahamian Independence Day, July 10, 1982. He had his men load a plane with anti-DEA leaflets calling for the expulsion of the U.S. narcotics agents from the islands. These leaflets, some of which had money attached (as much as $100), were dropped all over public parks where large crowds had gathered to celebrate the festive occasion.[29]

On September 8, 1982 a police inspector who had been threatened by several of Lehder's men obtained a warrant and conducted a search of their residences. He found $60,000 in cash in one room, marihuana and some other contraband. While placing several people under arrest, one (an illegal alien) tried to bribe him; when he refused the offer this person then threatened him. The inspector was amazed several days later when he once again observed these same persons walking freely about the island; one commented, "Money talks".[30]

The last drag incident on Norman's Cay reported to the Commission occurred on February 22, 1983. On that occasion two police officers observed a low flying plane make several passes over the Cay early in the evening and then heard it "backfire". After obtaining a boat and canvassing the area they found the wreckage of the plane several miles offshore. The two Colombian pilots were dead and a number of plastic bags filled with cocaine were found floating nearby.[31]

These accounts clearly detail how Carlos Lehder quickly established himself on Norman's Cay in 1979. Almost overnight the previously peaceful island was transformed into an armed encampment, with local residents terrified to even venture about. Lehder and his entourage

frequently held wild parties during which they often discharged their automatic weapons. Those who challenged the authority of the Colombians and complained to Bahamian officials obtained no satisfaction or surcease from the relentless threats to their physical well being. The actual volume of drugs moved through Norman's Cay during this period is not known with any precision. The testimony of Edward Ward, however, indicates that it was very substantial indeed. During the year he worked for Lehder, Ward knew of at least eight other pilots, including both Americans and Colombians, who were also running drugs for him. Lehder's operation on Norman's Cay also employed at least 40 people full time, indicating the amount of "work" they must have been performing.

It was also determined that Lehder had befriended fugitive financier, Robert Vesco, who was at the time living on Cistern Cay in the Exuma chain. A boat pilot who had worked for Lehder testified that on several occasions he had transported Lehder to meetings with Vesco.[32] Lehder's helicopter was also serai patrolling Cistern Cay for a period of time. Although Vesco submitted a letter to the Commission denying any association with Lehder, the investigating body chose to disregard it.

In summary, the evidence presented to the Commission regarding Lehder's activities convinced them that a major smuggling operation had indeed been conducted out of Norman's Cay. The report concludes:

> "There is no doubt that the Lehder organisation conducted a large scale smuggling operation through Norman's Cay from at least early 1979 to September 1982. It is clear that the police and senior government officials were aware of the illegal activities but their response was inadequate. The first police raid was ineffectual while the last two were failures. Moreover, Lehder was on the Cay after the police were there on a permanent basis. We have concluded, therefore, that there must have been corruption within the Police Force and that corruption must have reached to a senior level of government."[33]

Most of the Prime Minister’s Men

One of the most interesting and provocative subjects unearthed in the various Bahamian exposes was the Prime Minister, Lyndon Pindling. A host of witnesses testified to the Commission regarding Pindling's alleged complicity in various illegal activities. Only a few claimed to have directly observed him accepting bribes or other favors proffered, however, and two of the three Commission members ultimately chose not to treat these accounts as credible. Many testified that they paid such money to Pindling's very closest associates, however, with the understanding that it would go directly to the Prime Minister. Thus, with regard to finding the "smoking gun" there was no question about the criminality of Pindling's close friends, yet he managed to avoid being personally tainted with the same brush. Who then were some of these friends?

One significant Pindling confidante turned up by the enterprising reporters was an associate attorney, Nigel Bowe. The Sunday Times story described Bowe as "so thoroughly steeped in the drug trade that his name has become synonymous with it".[34] In addition to the more common lawyer-smuggler relations in the Bahamas, Bowe added a new twist by accompanying an American pilot, Jack Devoe, to Colombia in order to set up a deal with the notorious drug baron, Jose "Pepi" Cabrera Sarmiento. According to the story, Bowe was paid a 10% fee from Devoe's earnings off the arrangement (in this instance his share amounted to about $1 million over a 9 month period), as well as being paid separately by Sarmiento.[35] The most significant aspect of this story, however, is the strong likelihood that the Prime Minister himself may have been the one who introduced Bowe to Devoe.

A second close Pindling associate was the flamboyant Nassau "wheeler-dealer", Everette Bannister. The two had been close personal friends since childhood and over the years developed close professional and business ties as well. Bannister evidently made huge sums of money from various legal and illegal schemes; the latter accounted for most of his wealth, however. Among other things, he served for many years as a "consultant" to the notorious Resorts International organization, receiving large fees for unspecified duties. He and Pindling became partners in the establishment of Bahamas World Airways (BWA), a black owned airline that went defunct after several years of misguided management. Apparently the two enthusiastically promoted the business to associates, however, many of whom invested in the unsuccessful venture. In addition to these activities,

Bannister was identified as a "bagman" for high government officials such as Pindling, accepting bribe money from those who wanted to obtain favors or protection in the Bahamas. In one such case he introduced an American drug smuggling pilot, Edward Ward, to George Smith, who was then Minister of Agriculture. During this meeting Smith personally accepted $100,000 from Ward and his wife in exchange for promised immigration favors. (Ward wanted their names removed from the "stop list" maintained by the immigration department. They had been placed on this list after having been caught and arrested in a drug raid.) Later in the conversation Smith and Bannister told the Wards that this was just a down payment and that he could provide an "umbrella of protection" for $300,000 per year. He told them that this money would go directly to Pindling.[36] Another major smuggler, Luis "Kojak" Garcia, testified that Bannister had accepted $10,000 from him as a partial payment for having his name removed from "restricted entry" immigration status. According to Garcia, Bannister accepted the money and then did nothing for him. Many other witnesses reported similar experiences with Bannister. His son Gorman even testified against him on several occasions before investigating committee hearings held in the United States, most recently in 1987. During these appearances Gorman described his father's long term relationship with the Prime Minister and gave personal accounts of how they had jointly participated in many drug related, corrupt activities.[37]

A third Pindling associate, Kendall Nottage, was the Prime Minister's former law partner and close personal friend. The two had experienced a great deal of early political success through their mutual participation in the PLP, Nottage was appointed Minister of Youth and Sports by Pindling after he became Prime Minister. He was also the government Senate leader in the early 1980's. Beginning as a law clerk, Nottage quickly achieved financial success, for by 1983 he had accumulated more than $8 million.[38] He earned his money in a number of ways. In 1969 he and Pindling had founded Columbus Trust, a bank that ultimately became known for its "no questions asked" policies. Each man purchased 5,000 shares in the bank; the principal stockholder, however, was Robert Vesco, the American fugitive financier who had earlier stolen hundreds of millions of dollars in various swindles in the United States. Soon after Vesco's ties to the bank were publicized, he transferred his shares to another man, Donald Aberle, who developed a unique way of doing business. Despite the Central Bank's requirement of

background checks on investors, Aberle failed to do this for at least 450 Columbus Trust clients. In addition, he conveniently established a system in which all records of accounts were destroyed after the annual audits were completed. Drug smugglers took advantage of this generous policy and invested millions in the bank. In 1983 the Bahamian authorities finally acted, forced by the damning revelations about Columbus Trust's clients to suspend their license. At that time Pindling still retained 2 and 1/2% of its stock.[39]

Those described above as close Pindling associates were but a few examples of the kind of people that he has surrounded himself with both before and after attaining high political office in The Bahamas. Following the revelations of the Commission, Nottage, Smith and three other Pindling cabinet ministers either resigned or were forced to quit their cabinet posts.[40] Nottage, Smith, Bowe and Bannister have also been named in criminal indictments prepared in the United States. None of these indictments has ever resulted in their extradition for trial here though.

A central concern in all of the Bahamian inquiries was the role that the Prime Minister had played in condoning drug trafficking there. Among the most damaging pieces of evidence against him was the fact that he and his wife had in a five year period deposited more than $3.5 million in their accounts above and beyond his official salary.[41] Although two of the three Commission members found that there was insufficient evidence to directly tie him to drug corruption (the "smoking gun"), the third, Rt. Reverend Drexel Gomez of Barbados, filed a minority report in which he argued that "the real question is whether it can plausibly be inferred from the circumstances that any of the payments [to Pindling] were drug related".[42] Gomez concluded that he did not know, but that at the very least, the Prime Minister had acted recklessly in not assuring that such illegal monies not find their way into his accounts.[43]

After the Fall

Given the startling evidence of top level corruption in the Bahamian government, and especially the close ties that these persons had maintained

with known drug smugglers, it might have been expected that Prime Minister Pindling would have been forced to resign his post. This did not occur however, and he has actually not only held on but flourished, despite a nearly constant stream of damaging publicity. How has Pindling been able to weather such damning evidence of his culpability? What factions continue to support him, despite his refusal to provide information regarding his possession of vast sums of money that he did not earn through his legitimate employment? How is it that he can continue to protest his innocence while nearly all of his close friends have been indicted for their involvement with the drug underworld?

As noted above, the Commission of Inquiry found that it was unable to directly tie Pindling to any drug payoffs, although many persons testified that they had made such payments either directly to him or with the understanding that he was to receive them. The Commission members chose not to believe this testimony because they felt the charges could not be corroborated. They arrived at this decision of Pindling's apparent innocence, in spite of the fact that he could not account for hundreds of thousands of dollars of the $3.5 million that he had deposited in his various bank accounts over the years. He "could not recall", for example, what several checks written to him for amounts in excess of $40,000 each were for.

Pindling's ability to retain power in The Bahamas for the last 23 years, despite constant allegations of his misconduct speaks to the unique personality and power of the man. Shortly after the Commission findings were aired, he hired (the Bahamian Ministry of Tourism paid the $800,000 fee) the prestigious New York/Washington, D.C. public relations firm of Black, Manafourt and Stone to help rebuild his tarnished image.[44] The firm was best known for its successful promotion of prominent Republicans here in the United States, notably Ronald Reagan, George Bush, and most recently the besieged government department, HUD. In signing on with The Bahamas the firm's representatives promised a "backchannel relationship" to the President of the United States which could be used to improve that nation's image and relations with the U.S. government.

The public relations campaign designed for Pindling and The Bahamas included the shameless promotion of him as a leader in the international fight against drugs. The firm emphasized their close relationship with President Reagan; some enterprising soul actually made the suggestion that

Pindling stage a "First Ladies Drug Abuse Conference" in The Bahamas.[45] One means of improving Pindling's image in the United States was having him invited to address the 1986 summer convention of Jesse Jackson's Operation PUSH in Chicago.[46] On that occasion he played up the cooperative efforts of his own government with the United States in combatting the drug scourge.

Since 1985 Prime Minister Pindling has made an effort to increase the level of cooperation between Bahamian authorities and U.S. drug enforcement officials. Both countries have played up the tethering of radar balloons in The Bahamas, Operation Blue Lightning, BAT 1, BAT 2, OPBAT and other joint efforts as evidence of a new productive relationship between them. Those who have reviewed the available evidence on the outcome of these programs, however, have concluded that they are largely symbolic and designed primarily to improve the image of the Bahamian government.[47]

Pindling wisely chose to hire the famous American criminal lawyer, F. Lee Bailey, to represent him in his many legal matters. Bailey has attempted to silence many would be critics by loudly proclaiming Pindling's innocence. He has argued that the Commission evidence was not significant and that none of it directly tied the Prime Minister to any wrongdoing, drug related or not. Witnesses against Pindling are known criminals and therefore cannot be trusted to tell the truth, Bailey says.

These efforts by Pindling to improve his image have evidently paid off. In the latest Bahamian election held in 1987 he was the overwhelming victor, despite the substantial questions that had been raised during the campaign regarding his honesty. His party, the PLP, had been significantly damaged by the forced resignations and firings of five of his Ministers as a result of facts revealed by the official investigation, yet the party continues to win local elections. Opposition leaders have been unable to muster the votes necessary to displace Pindling or to severely undermine his power base. He has also been effective in using the issue of race to his advantage and has played on nationalistic sentiments with regard to local and international issues. Thus, when it suits him Pindling charges the United States is "out to get him" and that government officials here have knowingly condoned the actions of U.S. attorneys who, he says, have acted improperly by suppressing certain evidence and by not pursuing other

evidence that could be seen as supporting his disclaimers about personal misconduct.

On September 15, 1988 Pindling submitted a lengthy document to U.S. authorities titled, A Call For Action. A Plea For Justice: A Personal Rebuttal and Request for Investigation From the Prime Minister of The Bahamas to the U.S. Attorney General. This was to serve as a personal rebuttal of earlier and recent allegations made against him and his call for the investigation of U.S. Attorney Robert Merkle who, Pindling claims, acted both illegally and unethically. His defense consists of a rambling statement of charges regarding the mishandling of evidence by U.S. attorneys, supplemented by affidavits taken from a number of Bahamian police officials, casino representatives and others, all of which appear to be designed to convey the impression that the Prime Minister is innocent of any wrongdoing and that he has actually been a victim of vicious political enemies and the media. A careful reading of this manuscript is impossible, for there is no reasonable progression or organization of the material it contains. Rather, it seems to be a poorly executed denial of wrongdoing and, as such, is not convincing.

Pindling’s Protection

A critical question that arises from this case study has to do with why the United States government, which has adopted such a spectacularly hard line stand on drugs and the need for international controls, has done virtually nothing to disrupt Pindling's control over The Bahamas. This may seem especially puzzling, given last year's invasion of Panama and subsequent unseating of dictator Manuel Noriega, allegedly because of his involvement in drug trafficking, although U.S. authorities evidently knew of these crimes at least since the early 1970's and yet did nothing about them until now. A country that would resort to a full scale military invasion of another sovereign nation in order to apprehend a single person who had collaborated with drug smugglers would also go after a national leader charged with similar offenses and located much closer to home than Panama, or so one might think. But that has not happened. Why? What is so

special about The Bahamas that protects its leadership from hostile U.S. action over its ongoing complicity in drug smuggling?

The answers to these questions are embedded in the history of U.S. foreign policy in the region and have little to do with current drug policy. The deal that has apparently been struck in The Bahamas is the same one that has occurred elsewhere as well, both earlier and contemporarily. This involves U.S. concerns about the establishment and spread of worldwide communism. In The Bahamas U.S. authorities have been allowed to conduct constant surveillance of Cuba and have used local islands there as training grounds and launch sites for strikes aimed at unseating the government of Fidel Castro. In addition, there is a substantial and important U.S. naval base located on Andros Island in The Bahamas. The deep channel there has been used to test sonar systems thought to be of vital importance in detecting Soviet subs in the Florida Channel and around Guantanamo, Cuba. Clearly some price had to be paid for the privilege of locating and keeping such bases in this vicinity, and one hardly need look far to identify what it was.

Policy in the Absence of Policy: The Caribbean Basin Initiative

Throughout the body of this paper I have attempted to raise a number of pertinent questions regarding apparent contradictions in U.S. policy as it relates to the Caribbean and particularly The Bahamas. It has been shown that often the current hard-line drug policy is either compromised or totally ignored, especially when larger national security interests in the region are seen as at stake. The rationale(s) for U.S. policy development and execution in the region have focussed on three quite different and often contradictory concerns. The first of these has been the fear of the expansion of communism in the Western Hemisphere, which has been a dominant theme since the conclusion of WWII. Caribbean countries have been viewed as especially vulnerable to such influence, given the staggering degree of poverty they have experienced. Although recent events in the Soviet Union and most of Eastern Europe should have quieted such fears, there is little

evidence that they have done so. A second policy focus has been triggered by the dramatic growth and development of the illicit drug market in the United States during the last decade, and the significant participation by Caribbean countries in trafficking activities. The so called War on Drugs has been a centerpiece of both the Reagan and Bush administrations; both have seen The Bahamas as pivotal in this battle. The third policy initiative relates to the promotion of regional economic development in these nations as a preventive measure and to encourage their cooperation with a variety of U.S. initiatives in the area. Historical evidence suggests that the anti-communism issue has dwarfed the other two, and that regional economic development is seen as the least important of the three. This final point is the last I will deal with here.

As a consequence of the controversy generated by the military invasion of Granada in 1982, President Reagan proposed a palliative to win over the displeased in the form of a Caribbean Basin Initiative (CBI).[48] The Caribbean Basin Recovery Act passed in 1983 was seen as die most vital component of the CBI and was supposed to aid in the economic recovery of the 22 nations designated as comprising the region.[49] These nations were known for the grinding poverty that characterized the lives of most of their citizens as well as their dismal economies. In order to reverse these long-term downward trends, the Act provided for trade and tax concessions in the form of duty-free access to the U.S. for certain trade items (with specific exceptions noted), tax breaks for business organizations that held conferences in the named countries and significant increases in economic aid.

It is now abundantly clear that the CBI has been a dismal failure. Exports from target nations to the U.S. actually decreased since the initiative was first put in place. Moreover, these declines have occurred across the board. Per capita income in participant nations has also stagnated or decreased. The reasons for the failure of CBI are not difficult to discern. The most prominent one is the U.S. militarization of the Basin, including warfare in Nicaragua, El Salvador, Guatemala, and more recently, Panama. Given these events and the lobbying of U.S. firms fearful of Caribbean competition, it hardly seems surprising that potential investors have been scared off by the instability of the region. Professor Alan Block summarized the situation well stating, "The rhetoric and reality of regional strife did not encourage long-term capital investment in legitimate industries".[50] There is

no meaningful regional economic policy. U.S support for traditional oligarchies remains constant, as does our military buildup in the name of the War on Drugs.

Notes

1. Although these figures are constantly changing due to law enforcement pressure on smuggling operations and the consequent alterations in routes for bringing the contraband in, one recent estimate is that 70% of all cocaine and marihuana entering the U.S. is transported through the Caribbean and Bahamian region. See Anthony Maingot, "The Drug Menace to the Caribbean," The World and I (July 1989), p. 128.
2. United States Department of State, International Narcotics Control Strategy Report: Executive Summary (March 1989), p. 19.
3. Carl Hiaasen and Jim McGee, "A Nation For Sale: Corruption in the Bahamas", A Miami Herald Special Report. (1984)
4. Alan A. Block and Patricia Klausner, "Masters of Paradise Island: Organized Crime, Neo-Colonialism, and The Bahamas," Dialectical Anthropology 12: (1987), p. 99
5. Monroe Karmin and Stanley Penn, "U.S. Gamblers Prosper With Help from Island Officials," The Wall Street Journal (October 5, 1966).
6. Ibid.
7. Colin A. Hughes, Race and Politics in The Bahamas, New York: St. Martin's Press (1981), p. 117.
8. Maingot, op. cit., p. 129.
9. Clifford Krauss, "Anti-Drug Effort Clogs Outside U.S.," New York Times, November 23, 1990.
10. Commission of Inquiry Appointed to Inquire into the Illegal Use of The Bahamas for the Transshipment of Dangerous Drugs Destined for the United States of America, (November 1983 - December 1984), pp. 40-42.
11. Ibid.
12. Maingot, op. cit.
13. Ultimately the Commission could not complete its work within the allotted time and had to be extended for another seven months.
14. London Sunday Times, Insight Section, "Paradise Lost" (September 29, 1985).; Carl Hiassen and Jim McGee, "A Nation for Sale," special supplement on drugs and the Bahamas, Miami Herald, 1984.
15. Ibid.
16. Ibid.
17. Maingot, op. cit., pp. 172-173.
18. Hiaasen and McGee, op. cit. pp. 14-16.

19. Anthony Maingot, "Laundering the Gains of the Drug Trade: Miami and Caribbean Tax Havens," Journal of Interamerican Studies and World Affairs, pp. 167-187.

20. Ibid, p. 180.

21. Actually recent evidence indicates that even drug money laundering has not been aggressively pursued by the Bush Administration. Despite a 1988 law requiring that the Administration develop agreements with those nations used for money laundering to curb concealment of such monies, the Treasury has decided not to enforce the sanctions provide because they would be a "violation of their sovereignty". See Stephan Labaton, "Plan on Drug Cash Not Being Pursued", New York Times (December 16, 1990), p. 37.

22. Hiassen and McGee, op. cit., pp. 18-19.

23. Commission of Inquiry, op. cit., pp. 11-17.

24. Ibid.

25. Ibid.

26. Ibid, p. 51.

27. Ibid.

28. Ibid., p. 59.

29. Ibid., pp. 61-62.

30. Ibid., p. 64.

31. Ibid.

32. Ibid., p. 65.

33. Ibid., p. 67.

34. London Sunday Times, op. cit.

35. Ibid.

36. Ibid.

37. U.S. Senate, Committee on Foreign Relations, Subcomittee on Terrorism, Narcotics and International Communications and International Economic Policy, Trade, Oceans, and Environment, Hearings, (May 27, 1987), pp. 21-42.

38. London Sunday Times, op. cit.

39. Wall Street Journal, March 31, 1983.

40. Miami Herald, October 10, 1984.

41. Commission of Inquiry, op. cit., pp. 98ff.

42. Ibid., pp. 402ff.

43. Ibid.

44. Carl Cannon, "Pindling Used Firm Employing Bush Aides", Miami Herald, September 8, 1988.

45. Mark Hosenball, The New Republic, September 1, 1986), p. 15.

46. Ibid.

47. London Sunday Times, op cit., p. 17.

48. Alan A. Block, "Ambiguities in U.S. Caribbean Policy: The Bahamas, Narcotics, and American Foreign Policy", paper presented at the annual meeting of the Southwestern Social Science Association, Dallas, Texas, 1987.

49. London Sunday Times, op. cit.

50. Clyde H. Farnsworth, "The Good Neighbor Offers Little Aid, Less Trade," The New York Times, February 1, 1987, p. 6.

PART THREE
Asia’s Heroin Trade

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10
Heroin as a Global Commodity: A History of Southeast Asia’s Opium Trade

Alfred W. McCoy

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Introduction

In 1989 Southeast Asia achieved the dual distinction of becoming the world's largest producer of raw opium and the leading source of America's illicit heroin supply. According to the U.S. State Department, Southeast Asia's "Golden Triangle" region--where the highlands of Burma, Thailand and Laos converge--produced a total of 3,050 metric tons of raw opium, equivalent to 73 percent of the world's total illicit supply.[1] In February 1990, the Drag Enforcement Administration announced that Southeast Asia's share of the U.S. heroin market had jumped sharply to 45 percent from only 18 percent in 1987, making it America's leading single source of heroin.[2] Thus, what American enforcement experts had long feared had finally come to pass--the globe's great opium reserve in northern Burma had

merged with the world's premier heroin market in the United States. How did Southeast Asia become the world's preeminent heroin supplier?

To understand the Golden Triangle's recent conquest of the global heroin market, we must probe the modern history of this peculiar commodity. In an era when we suffer from a surfeit of data on drugs from media and government sources, it is important to re-examine and even reconceptualize our perception of heroin's essential attributes, thereby turning greater information into greater understanding. Instead of simply assuming that we understand heroin because of its pervasiveness as a social problem for nearly a century, we should ask some basic questions. What is the character of the illicit heroin traffic? Given the reported scale of the global "traffic" in heroin, should we begin thinking about this drug as a major commodity like coffee or tea rather than as a vice like prostitution or pornography? If heroin is a commodity, what is the character of its political economy?

By approaching heroin as a commodity we can shift the discussion of drugs from the usual realm of medical, moral or legal discourse. Instead of dealing with the narcotics trade as deviance or criminality, we can begin to grapple with heroin's distinctive political economy. By studying the historic rise of heroin as a global commodity we can understand why its illicit traffic has been surprisingly resistant to the attempts at international interdiction over the past 70 years.

Such an inquiry, of course, requires a closer examination of the global opiates trade. Although many Western observers have long assumed an axiomatic and ahistorical cultural equation between Asia and opium, Southeast Asia has only recently emerged as the world's premier heroin producer, the culmination of a process that began more than two centuries ago. Surveying the history of opium in Southeast Asia since the 18th century indicates that there are three interwoven elements that have allowed an unchecked expansion of the region's role in the global drug trade.

At the broadest level of political economy, Southeast Asia's opium trade has, over the past two centuries, become part of a global commerce that now links the cities of Asia and the West to a highland opium zone stretching across the southern rim of Asia from Turkey to Thailand. From the perspective of law enforcement, all Western attempts at interdiction over the past century have not only failed to eradicate this resilient global commodity, they have contributed, quite directly, to an expansion of both production and consumption. In effect, the global opium trade has reacted

to repression as another kind of stimulus by increasing supply, expanding the market, and elaborating the traffic that knits the two together. During the 40 years of the Cold War, moreover, government intelligence services, particularly the U.S. Central Intelligence Agency (CIA), served as protectors of Southeast Asia's key opium traffickers, indirectly contributing to an initial expansion of production and the failure of later interdiction efforts.

Above all, it is opium's long history as a global commodity that give its traffic a unique and little understood dynamic. During its first century as a largely legal commodity, opium production grew as one part of an expanding global trade in natural stimulants—coffee, tea, tobacco, and coca—that tied First World consumers and Third World producers together in a complex global commerce. As demand for opiates rose rapidly through the 19th century, opium cultivation spread across the Eurasian land mass from Yugoslavia to Manchuria. Simultaneously, the pharmaceutical manufacture of opium products-oral medicines, morphine, and heroin—developed in the world's major industrial centers from Detroit to Paris to Tokyo. By the time the United Nations adopted its Single Convention prohibiting all non-medicinal opiate use in 1961, the trade in legal stimulants—coffee, tea, and tobacco—ranked among the top 20 of the world's commodities with petroleum, wheat, and cotton.[3] Although precise statistics are not available, there are indications that opium would have ranked equally high had such a list been compiled in 1906 when the process of reducing the global drag supply began. In short, by the time prohibition efforts started, opium was already established as a major global commodity with the sheer economic scale, elaborated social ramifications, and entrenched political support to resist any reduction of such a vital trade.

As Sidney Mintz and Eric Wolf have taught us, the modem commerce in commodities involves much more than mere economic exchange.[4] Since the rise of the modern world economy, commodities have-in a fundamental sense--shaped the politics, culturfc, and social structure of peoples around the globe. Concluding his study of sugar's modem social history, Mintz comments: "The first sweetened cup of hot tea to be drunk by an English worker was a significant historical event, because it prefigured the transformation of an entire society, a total remaking of its economic and social basis."[5] Indeed, from the late 18th century onwards, opium and tea became the key media in an expanding commercial exchange between Asia

and the Atlantic nations, thereby becoming inextricably enmeshed in the economies and lifestyles of both regions.

Under such circumstances, the modern attempts at opium prohibition became a market stimulus that produce adaptation--not abolition. As efforts at the restriction and regulation of drug use intensified in the 1920s, criminal entrepreneurs in vice and violence appeared to organize an illicit international distribution system. After World War II, the contemporary trade in opium merged the attributes of a complex, multi-faceted commerce with those of a lucrative illicit enterprise. Criminalizing the trade in a major commodity like opium simply increased the mark-up between producer and consumer, creating wide profit margins sufficient to corrupt would-be regulators at every stage in the global trade. Operating outside normal civil society, the entrepreneurs of the now illicit drug trade, both urban and upland, acquired an autonomous control over powerful social apparatuses that made them valuable assets for the covert agencies that waged the civil wars and Cold War of the modern era.

Intra-Asian Opium Trade

Most societies, regardless of locale or level of development, have used drugs in religion, recreation and medicine. Discovered and domesticated during prehistoric times in the Mediterranean basin, opium became a trade item between Cyprus and Egypt sometime in the second millennium B.C.[6] Opium first appeared in formal Greek pharmacopeia during the 5th Century B.C. and in Chinese medical texts during the 8th century A.D. In his poem "The Cultivation of the Medicinal Plant Poppy" written around 970 A.D., China's Su Che rhapsodized that the poppy's "seeds are like autumn millet; when ground they yield a sap like cow's milk; when boiled they become a drink fit for Buddha."[7] Inferring from such slender evidence, it appears that opium farming first developed in the eastern Mediterranean and spread gradually along Asia's trade routes to India, reaching China by the eighth century A.D,

It was not until the 15th Century that residents of Persia and India began eating and drinking opium mixtures as a purely recreational euphoric, a practice that made opium a major item in an expanding intra-Asian trade.

Indeed, under the reign of Akbar (1556-1605), the great Mughal state of north India relied upon opium land as a significant source of revenue. Although cultivation covered the whole Mughal empire, it was concentrated in two main areas--upriver from Calcutta along the Ganges Valley for "Bengal opium" and upcountry from Bombay in the west for "Malwa opium."[8]

As Portuguese captains ventured across the Indian Ocean during the early 16th century, they soon realized the commercial potential of opium. "If your Highness would believe me," Affonso de Albuquerque, the conqueror of Malacca, wrote to his monarch from India in 1513, "I would order poppies . . . to be sown in all the fields of Portugal and command afyam [opium] to be made . . . and the laborers would gain much also, and people of India are lost without it, if they do not eat it."[9] From their ports in western India, the Portuguese began exporting Malwa opium to China, competing aggressively with Indian and Arab merchants who controlled this trade.[10]

Eager for another commodity to barter for Chinese silk, the Portuguese also began importing tobacco from their Brazilian colony half a world away. Although the Chinese frustrated the Portuguese by growing their own tobacco, the tobacco pipe itself, which had been introduced by the Spanish, turned out to be the key to China's market. Indian opium mixed with tobacco and smoked through a pipe was pleasing to the Chinese palate. Indeed, Dutch merchants saw Chinese smoking an opium-tobacco mixture in Indonesia as early as 1617.[11] By the early 18th century, opium smoking was spreading across China, prompting the empire's first attempt at suppression in 1729 when the Emperor Yung Cheng issued an edict banning the smoking of opium.[12]

Arriving in Asia a century after the Portuguese, the Dutch soon became active in the region's opium commerce. Instead of trading from India to China like the Portuguese, the Dutch established a permanent port at Jakarta in 1619 and began purchasing opium from India in 1640 to supply Java's limited demand. As Dutch colonials negotiated monopoly rights for Java's populous districts, their Company's opium imports from India rose dramatically from 617 kilograms in 1660 to 72,280 kilograms only 25 years later. Dutch profits from the opium trade were spectacular. Buying opium cheap in India and selling high in Java allowed the Company a 400 percent profit on its 1679 shipments. Opium, moreover, proved to be a key trade

good that drew Asian merchants to Jakarta. By 1681, opium represented 34 percent of the cargo on Asian ships sailing out of Jakarta.[13] No longer a lightweight luxury or medicinal item, opium was in the process of becoming a basic trade commodity.

Although the last among the Europeans to enter the trade, it was the British who finally completed the transformation of opium from luxury good into bulk commodity. The British East India Company had acquired coastal enclaves at Calcutta in 1656 and Bombay in 1661, but did not become a major factor in the opium trade for another century. In the interim, a syndicate of Indian merchants up the Ganges River at Patna held a monopoly over the "Bengal" opium trade, making cash advances to peasant farmers and selling the processed opium to Dutch, British, and French merchants. Marching inland from their port at Calcutta, the British conquered Bengal in 1764 and soon discovered the financial potential of India's richest opium zone.

Colonial Opium Trade

The modern phase in the history of the opium trade began in 1773 when Warren Hastings, the new Governor-General of Bengal, established a colonial monopoly on the sale of opium. As the British East India Company expanded production, opium, exported through its Calcutta offices to China, became India's main export. Over the next 130 years, Britain actively promoted the export of Indian opium, defying Chinese drug laws and fighting two wars to open the country's markets for its merchants. Under the British, Indian opium became a major global commodity, giving this modern commerce a scale and organization that distinguishes it from earlier forms. Centralized colonial controls accelerated the export of Indian opium to China from a base of some 13 tons in 1729, to 148 tons in 1789, and 2,558 tons in 1839.[14] Using its full military and mercantile power, Britain played a central role in making China a vast drug market by 1900 with 13.5 million addicts consuming some 39,000 tons of opium.[15]

When the East India Company conquered Bengal, it took control of a well-established opium industry involving peasant producers, merchants,

and long-distance traders. With a unanimous vote of approval from Bengal's colonial council on November 23, 1773, Governor Hastings abolished the Indian opium syndicate at Patna and established a colonial monopoly on principles that were to operate for the next half century. Under the new regulations, the East India Company or its agents had the exclusive right to purchase opium from Bengal's fanners and auction it for export. Realizing that opium was illegal in China, Hastings barred the Company's ships that called at Canton to load tea from carrying opium, leaving actual sale of the addictive drug to the private European merchants who bid at the Company's Calcutta auctions.[16]

In 1797 the Company eliminated the local contractors and established a system of direct collection that was to last for over a century. Under the new procedures, the East India Company, and the colonial state that succeeded it, controlled opium cultivation, processing, and export. At its peak in the late 19th century, Bengal's opium country stretched for 500 miles across the Ganges River Valley, with over a million registered farmers growing poppy plants exclusively for the company on some 500,000 acres of prime land.[17] From their factories at Patna and Benares in the heart of opium country, senior British officers directed some 2,000 Indian agents who circulated through the poppy districts, extending credit and collecting opium. Processed under strict supervision at the two Company factories, the opium was packed into wooden chests, each containing forty balls and weighing 140 pounds. Bearing the "Patna" and "Benares" trade-marks, the chests were sent down to Calcutta under guard and sold at auction to private British merchants.[18]

Since the Chinese state had damned opium as a "destructive and ensnaring vice" and banned all imports in 1799, British sea captains bribed Canton's mandarins and smuggled the chests into southern China where the Bengal brands commanded twice the price of the inferior local products.[19] For its first quarter century, this system assured prosperity for British India and a stable opium supply for China. Not only did opium solve the fiscal crisis that accompanied the conquest of Bengal, it remained a staple of colonial finances, providing from six to fifteen percent of British India's tax revenues during the 19th Century.[20] More importantly, these opium exports were an essential component of an India-China-Britain "triangular trade" that was central to Britain's position as a world power. Trade figures for the

1820s, for example, show that the triangular exchange was remarkably large and well balanced: 22 million "pounds sterling" worth of Indian opium and cotton to China; next, 20 million "pounds sterling" in Chinese tea to Britain; and, then 24 million "pounds sterling" in British textiles and machinery back to India. In managing this trade, the East India Company prized stability above profit, and for over twenty years held India's opium exports at 4,000 chests—just enough to finance its purchase of China's tea crop.[21]

The system's success was the cause of its downfall. The vast profits of the Britain's opium trade attracted competitors. Moreover, the Company's steadfast refusal to raise Bengal's opium exports beyond the quota of 4,000 chests per annum left a vast unmet demand for drugs among China's swelling population of opium smokers. As demand drove the price per chest upward from 415 rupees in 1799 to 2,428 rupees just 15 years later, the East India Company's monopoly on Bengal opium faced strong competition from Turkey and west India.[22]

Britain's most daring rivals were the Americans. Barred from bidding at the Calcutta auctions, Yankee traders loaded their first cargoes of Turkish opium at Smyrna in 1805 and sailed them around the tip of Africa to China.[23] Although the Americans increased their shipments from 102 chests in 1805 to 1,428 chests 25 years later, their largest cargoes were still just a quarter of the 5,672 chests the British brought from Bengal.[24] Through the efforts of these adventurous Americans, Turkish opium remained an attractive alternative to the Bengal brands until 1834 when the Yankee captains were finally allowed to bid at the Calcutta auctions and abandoned the long haul around Africa.[25]

The real challenge to the Company's monopoly came came from Malwa opium grown in the princely states of west India. Collected by Indian merchants and shipped from Portuguese ports on the west coast, Malwa opium captured 40 percent of the China market by 1811, challenging the Company's monopoly.[26] Determined to defend their trade, the Company's directors decided to promote unlimited production in Bengal, thereby producing opium "at a price which would make competition unprofitable," Indicative of opium's importance, in 1831 the Governor-General of India, Lord William Bentinck, toured the upper Ganges with revenue officers to explore new areas for poppy farming. Within the decade, fifteen new opium districts opened in Bengal, doubling cultivation to 176,000 acres.[27]

After the East India Company lost its charter in 1834, its informal regulation of the China opium trade collapsed, allowing profit-hungry American and British captains to take control. Indeed, the Company's demise launched a fleet of new "opium clippers"—ships specially designed with a sleek hull and high rigging to tack the sea lanes to China against the prevailing monsoon winds.[28]

Responding to these commercial pressures, India's export boom of the 1820s and 1830s flooded the China coast with illicit opium, rending the fragile political fabric that had veiled the smuggling trade for decades. Rising steadily from some 13 tons in 1729 to 148 tons by 1788-1789, only 15 years after the start of its Bengal monopoly, the Company had stabilized India's opium exports to China at about 250 tons for the next 30 years. As the Company loosened its restrictions in the 1820s and then lost its monopoly in 1834, China's opium imports increased nearly ten fold-from 270 tons in 1820 to 2,558 tons twenty years later. Instead of the discreet smuggling of decades past, British and American clippers crowded China's anchorages with their illicit cargoes, fending off Chinese customs with bribes and artillery barrages.[29] Opium addiction spread rapidly, reaching some three million Chinese addicts by the 1830s and provoking some angst among the British clergy.[30] "I call upon all British Christians," wrote Rev. Algernon Thelwall of Cambridge University in 1839, "to come forward as one man, in opposition to this nefarious traffic, which brings such deep disgrace upon the Christian name . . . "[31]

Ignoring this moral call for another half century, Britain fought two wars along the China coast in 1842 and 1858, forcing the empire to open itself to unrestricted opium imports.[32] In 1838, the Emperor adopted a moralistic position on the opium problem and appointed the mandarin Lin Tse-hsu, an official of impeccable integrity, as Special Commissioner to Canton with extraordinary powers to "go, examine, and act." Lin's anti-opium campaign threatened Britain's China trade, and London dispatched a fleet of six warships and 7,000 troops which captured Canton in May 1839. For the next two years, the British expedition moved north, sacking China's major coastal cities. The First Opium war ended in 1842 with the Treaty of Nanking which required China to cede Hong Kong, open five new ports to foreign trade, and agree to an indemnity of $21 million.[33] But China still refused to legalize opium.

The fifteen years following the First Opium War were the high tide of the China trade. Illicit imports of Indian opium nearly doubled, rising to 4,810 tons in 1858.[34] At the Calcutta auctions, frenzied bidding drove opium prices and Company profits to new heights, making a fast run to the China coast essential to insure a quick return on these investments. In the five years following the start of the Opium War, 48 new clippers joined the opium fleet.[35] As the largest of the opium traders, Jardines had eight heavily-armed receiving ships anchored off Chinese ports, five clippers cruising the coast, and five more ships carrying opium from India. The fastest clippers may have sailed for the American house Russell & Co., but even its largest cargoes could never challenge the dominion of Jardine's flotilla over the opium trade. Among the 95 clippers in the opium fleet, the Calcutta's Cowasjee family owned six, the Americans of Russell & Co. had eight, and the British giants, Dent and Jardine, operated a total of 27.[36]

The era of the opium clipper ended when China finally legalized the drug trade after its defeat in the Second Opium War (1856-1858). The Treaty of Nanking that settled the First Opium War had left many ambiguities in the terms of Western access to China, producing numerous diplomatic incidents as foreign merchants became more active and aggressive along China's coast. When Chinese maritime officers arrested the British captain of the ship *Arrow* on minor charges in 1856, these accumulated tensions erupted into war.[37] In negotiations over the tariff provisions of this new treaty that concluded the war, the British emissary Lord Elgin forced the Chinese to legalize opium imports?[38] In the aftermath of legalization, smugglers became registered importers, plodding steamships displaced the fast clippers, and state monopolies replaced private traders.

Speculating about the probable impact of legal imports upon the trade, Karl Marx, writing in the October 15, 1858 edition of the *New York Daily Tribune,* commented that "the Chinese Government will try a method recommended by political and financial considerations—viz. legalize the cultivation of poppy in China . . ."[39] Indeed, Chinese officials began encouraging local production, and poppy cultivation spread beyond the southwest to nearly every province. As addiction spread throughout China, imports of Indian opium rose from 4,800 tons in 1859 to 6,700 tons twenty years later. After peaking in 1880, Indian imports declined slowly for the

rest of the century as cheaper, China-grown opium began to supplant the high-grade Bengal brands.[40]

By the 1880s, China was in the midst of a major opium boom, particularly in the rugged southwestern provinces of Szechwan and Yunnan. Observers claimed that China's leading opium producing province, Szechwan, was harvesting 10,000 tons of raw opium annually.[41] Trekking through Yunnan during the early 1880s, the British consul Alexander Hosie once walked for five miles "without seeing a crop other than the poppy." In 1881, the British consul at Yichang estimated the total opium production in the southwest at 13,525 tons, a figure so high that it first seemed incredible.[42] Twenty-five years later, however, the first official statistics showed that Szechwan and Yunnan were in fact producing 19,100 tons, equivalent to 54 percent of China's total harvest.[43] Although estimates varied widely, by 1885 China was probably growing twice as much opium as it was importing.[44]

When Britain finally abandoned its advocacy of the Asian drug trade in 1906, opium had become a global commodity comparable in scale to the commerce in stimulants such as coffee or tea. Representing about 85 percent of world production, China's opium harvest of 35,000 tons was similar in size to Japan's tea trade (31,000 tons), Brazil's cocoa crop (39,000 tons), or Colombia's coffee production (55,000 tons).[45] Not only was China the world's largest producer, its population of 400 million included some 13.5 million addicts who consumed 39,000 tons of opium annually. With bountiful local supplies and legal retail sates, China had achieved a level of mass addiction never equaled by any nation before or since. In 1906, the Imperial government reported that 27 percent of all Chinese males were opium smokers.[46]

Southeast Asia’s Opium Dens

The Southeast Asian opium trade was the creation of European colonialism. Just as the age of empire brought China mass addiction and India extensive poppy cultivation, so it gave Southeast Asia the omnipresent opium den. Lying astride the main sea lanes between India and

China, Southeast Asia was drawn into the expanding Asian drug trade during the 16th century as Arab and Portuguese ships laden with Indian opium passed through its islands en route to Canton. But lacking China's vast population and appetite for opium, these islands remained a secondary market for Indian exports until the arrival of the Europeans. Although the Dutch developed a substantial opium trade on Java during the I7th century, elsewhere in the region drug use outside the Chinese communities remained uncommon.

During the early 19th century, however, a confluence of socio-economic forces-demand, supply, and state policy-expanded both the total opium trade and the degree of European dominance. First, Chinese migration to Southeast Asia accelerated the demand for drugs throughout the 19th century, creating a substantial market of wage laborers with the means, motivation, and inclination for opium smoking. Pressed for revenues to finance public works, European colonial governments established opium farms and leased these revenue contracts to overseas Chinese merchants.

State licensed opium dens thus became a unique Southeast Asian institution, spreading and sustaining addiction throughout the region. In 1930, Southeast Asia had 6,441 government opium dens where any adult could, for a nominal fee, smoke an unlimited number of "pipes." In just one year, these dens served 272 tons of opium to 542,100 registered smokers. Opium use, legal and illicit, was found throughout the region, but its spread was uneven. There were no legal dens in the Philippines after the U.S. banned opium use in 1906. By contrast, in 1930 French Indochina had 3,500 licensed "opium divans," or one for every 1,500 adult males, and was home to 125,200 opium smokers, or 23 percent all the addicts in Southeast Asia. Similarly, the Kingdom of Siam, earned 14 percent of its tax revenues by selling 84 tons of opium through 972 licensed dens to 164,300 opium smokers, the largest addict population in Southeast Asia.[47] In no other region of the world did so many governments promote mass drug abuse with such unanimity of means and moral certitude.

In most of Southeast Asia, the great majority of opium smokers were Chinese immigrants. As the population of south China reached saturation point in the early decades of the 19th century, a severe economic crisis forced a massive migration, creating large communities of overseas Chinese in Southeast Asia by 1900—60,000 in Rangoon, 120,(XX) in Saigon, and 200,000 in Bangkok.[48] Leaving China where one in every four males was

an opium smoker by 1900, many of the Chinese migrants were landing at cities such as Saigon and Singapore with an opium habit. Not surprisingly, the rate of opium addiction among these immigrants was high, reaching seven percent of all overseas Chinese in Malaya during the 1920s.[49]

At first, the region's colonial governments restricted their role to importing the opium from India and auctioned "opium farms," or franchises, to the highest bidder, usually a consortium of Chinese. In 1881, however, the French administration in Saigon established the Opium Regie, a direct state marketing monopoly that showed far greater efficiency and profitability.[50] After the British established a new monopoly for the Federated Malay States in 1911, for example, per capita opium sales to the Chinese doubled from $8.00 to $16.00.[51] By century's turn, every Southeast Asian state, from Burma to the Philippines, had either an opium monopoly or an officially licensed franchise.[52] Although state opium sales began by cultivating a Chinese vice, the habit spread gradually to Southeast Asia's local populations through both legal and illicit channels.

No mere vice, opium became a major factor in Southeast Asia's economic growth in both public and private sectors, reflecting and reinforcing the region's ongoing modernization. In many parts of 19th century Southeast Asia, the opium franchises were integral to the rise of overseas Chinese capital. From its founding in 1819, Britain's Singapore colony earned over half its revenue by leasing an opium franchise to influential Chinese. By the 19th century, Singapore's Chinese merchants and their partners in the hinterland controlled a two-way trade, exporting opium to coolies working on their farms in the jungles of nearby Johore and importing the tropical products of these plantations. Since a scarcity of labor drove wages to uneconomic levels, the Chinese planters balanced their books by extracting some 30 to 70 percent of coolie wages by selling them opium through the franchise. During the middle decades of the 19th century, the synergy of this trade between opium and plantation products financed both the clearing of Johore's jungles and the growth of Chinese capital in Singapore.[53] Similarly, opium was central to the Chinese tin mines operating along the west coast of the Malay peninsula during the 19th century. With profits earned from selling opium to their own workers, tin mine operators cushioned themselves against periodic drops in the world tin price.[54]

Dutch opium commerce on Java fostered both a vast state enterprise and a large illicit traffic. From 1640 to 1799, the Dutch East India Company (V.O.C.) imported an average of 56 tons of opium annually, large quantities for the day that rose steadily throughout the 19th century to 208 tons by 1904.[55] By starting their retail monopoly two centuries before the other European powers, the Dutch developed a large clientele of native Javanese opium smokers. With their wages from Java's thriving plantation economy, ordinary villagers in 19th century Java earned the cash, scarce elsewhere in Southeast Asia, to sustain an habituation to low-grade opium.[56] Despite efforts to reduce sales, the Dutch monopoly was still operating 1,065 opium dens in 1929 that retailed 59 tons of opium to 101,000 registered smokers.[57] The high price of official opium encouraged a lively illicit traffic in Indian opium that may have been larger than the monopoly's sales. Indeed, by the mid 1860s the Dutch official responsible for opium matters calculated that 60 percent of the opium actually consumed in central Java came from illicit sources. In 1883, for example, Dutch investigations found that just one group of smugglers on Java's north coast had brought in 41 metric tons of illicit opium that year.[58]

While opium addiction weakened the local populations, it strengthened the finances of colonial governments. In 1905-1906, for example, opium sales provided 16 percent of taxes for French Indochina, 16 percent for the Netherlands Indies, 20 percent for Siam, and 53 percent for British Malaya.[59] These revenues, sometimes reaching as high as 59 percent of total taxes in Britain's Strait Settlements, financed construction of the cities, canals, roads, and rails that remain as the hallmark of the colonial era.[60]

Despite heavy opium consumption, Southeast Asia did not become a significant opium producer until the 1950s, a full century after China. At the 1909 Shanghai Opium Commission, the Thai Delegates could report with some honesty that "Siam does not produce opium because it does not cultivate the poppy."[61] Afraid that smuggling from their remote tribal highlands would undercut high official prices, the state monopolies did everything possible to discourage local opium production. Although poppy cultivation did spread somewhat in the highlands during the decades before World War II, the region still remained a minor producer. Even at its prewar peak in the 1920s, Southeast Asia's 60 tons of opium was dwarfed by the 6,380 tons produced across the border in China.[62] Finding even this level of

cultivation troublesome, Burma, Thailand and Indochina mounted suppression operations that reduced region's production to only 15.5 tons in 1940-far from the Golden Triangle's 3,050 ton harvest a half century later.[63]

Drug Diplomacy

In the late 19th century, Protestant clergy and laity led a global anti-opium movement that culminated in a series of treaties restricting the global narcotics trade. Starting with the Shanghai Opium Commission of 1909 and the International Opium Conference at The Hague in 1911-1912, these deliberations led to a succession of opium control treaties under the League of Nations in 192S and the United Nations after 1945. In effect, a Christian crusade, through skillful propaganda and lobbying, transformed itself from a populist movement into a novel form of drug diplomacy that continues today under the United Nations.

When the anti-opium movement achieved its first successes at century's turn, narcotics had already become a global commodity trade that sustained heavy opiates abuse in China, Europe, and America. When Britain finally committed itself to the reduction of the Asian drug trade in 1906, its Indian opium industry was the center of a global commerce comparable in scale to coffee or tea.[64] With an addict population representing over a quarter of the country's adult males, opium in China had become a staple of the country's consumer economy.[65] Moreover, during the late 19th century the steady rise of mass opiates addiction in England and America added a new dimension to the global drug trade, forming a resilient commercial connection between Asian opium growers and Western consumers. Launched when the drug was already a major commodity, the anti-opium movement's goal of a total prohibition produced a contradictory legacy. The movement did force governments to cease active promotion of drug use through licensed dens or patent medicine sales. Paralleling these prohibition efforts, however, new criminal syndicates quickly emerged in the major cities of Asia and the West to organize a global traffic in illicit drugs.

Although London had ignored the consequences of the China opium trade for over a century, the steady growth of opiates use in Britain until the

1870s created domestic support for narcotics prohibition. Assisted by advertising and the approval of the medical profession, Western pharmaceutical manufacturers such as Bayer and Parke-Davis were selling substantial quantities of opiates and coca in the form of popular remedies and daily tonics. Such successful marketing made mass addiction to cocaine and heroin a significant feature of late 19th century life in Europe, Australia, and America.[66]

Aggressive advertising no doubt played a part in the popularity of the new narcotic remedies, but they would not have been consumed for so long and in such large quantities if they had not met some basic consumer need. In retrospect, the growth of mass narcotics abuse seems part of the transformation of diet and health care during the 19th century.[67] In an era when Western medicine had still not developed genuine therapeutic remedies, mass self-medication with opium remedies and the medical profession's reliance on morphine injections encouraged drug abuse. Indeed, opium was a genuinely effective remedy for die dehydrating gastrointestinal diseases that were epidemic in the crowded cities of 19th century England and America.[68] After the introduction of the hypodermic syringe to the United States in 1856, medical practitioners, initially skeptical, found that morphine injection brought instant relief to patients suffering from almost any ailment. By 1881 almost every physician owned a syringe and many used morphine as a panacea to treat a wide range of illness with no known cure.[69] Soon after the Bayer Company introduced heroin as a non-addictive substitute for morphine in 1898, the American Medical Association (AMA), continuing the profession's long reliance on opiate medications, initially endorsed the new drug as safe for respiratory ailments.[70] Between 189S and 1910, however, opinion within the U.S. medical profession turned against the indiscriminate prescription of opiates. From the 1870s onward, a growing number of practitioners in both the United Kingdom and the United States documented the dangers of addiction from repeated opiate use. Moreover, research into bacteriology discovered the causes of previously incurable diseases, thereby discouraging the use of broad-spectrum palliatives. Marking a complete reversal of professional practice, in 1920 the AMA passed a resolution recommending the prohibition of heroin.[71]

The spread of mass narcotics addiction was part of the emergence of a new diet in the industrial nations based on a global trade in proteins and stimulants. During the 19th century, the Western diet supplemented low-energy grains with exotic proteins and stimulants. After a century of constant dietary habits, the average Englishman's consumption of sugar, a quick energy source, jumped four-fold from less than 20 pounds per person in 1850 to over 80 pounds by 1900. During the same period, England's per capita consumption of tea increased three-fold from two to six pounds.[72] In the United States the change in diet was just as dramatic. Between 1865 and 1902/1903, coffee consumption increased nearly three-fold from 4.7 to 13.3 pounds per person, while sugar jumped four-fold from 18.2 to 78.9 pounds.[73] The simple 18th century diet of milled grains had given way to one spiced with large quantities of protein (eggs and beef), glucose (sugar), and stimulants (coffee and tea).

If an energized diet of proteins, glucose and caffeines could be used to stimulate the body and maintain a constant level of performance through a long working day, then narcotic-based medicines could be used to sooth and relax it artificially during the short hours of rest. Paralleling the growth of sugar and coffee use, American consumption of opium rose over four-fold from 12 grains per person in the 1840s to 52 grains in the 1890s.[74] Narcotics addiction followed this rising curve, peaking at about 313,000 addicts in 1896.[75] In the United Kingdom, sales of patent medicines, most of them opium-based, increased almost seven-fold between 1850 and 1905.[76] More representative of overall trends in Britain, the average estimated home consumption of opium per 1,000 population increased from 1.3 pounds in 1827 to over 10 pounds 50 years later[77]. Surveying the period of comparatively low drug use between 1830 and 1860, one study found that the average annual consumption for every English man, woman and child was "roughly 127 therapeutic doses" of opium each year --"a very high level of population experience with this drug[78].

The early anti-opium movement was a loose alliance between British protestants, China missionaries, and Chinese imperial officials. With a generous endowment from a British Quaker, the Anglo-Oriental Society for the Suppression of the Opium Trade formed in 1874 and soon attracted the patronage of a Catholic cardinal and the Archbishop of Canterbury. For 30 years Britain's missionaries and moralists fought a relentless campaign of

meetings and petitions that culminated in 1906 when Parliament passed a motion to end India's opium trade. Long humiliated by every aspect of the traffic, China's nationalists were strongly opposed to the pandemic of opium addiction that seemed to spread without restraint. With strong mandates for suppression, British and Chinese diplomats agreed on a ten-year, step-by-step reduction in both Indian imports and Chinese cultivation. As the Indian opium shipments dropped, China pursued a rigorous anti-opium campaign that eliminated smoking in Beijing and reduced cultivation in provinces such as Szechwan,[79]

After the revolution of 1911, however, China's new Republican government proved corrupt and its opium suppression campaign faltered.[80] China's poppy cultivation revived, morphine and heroin pills appeared as substitutes for smoking opium, and the new Republic's cabinet was found taking a bribe from an opium syndicate. Nonetheless, in January 1919, the Republic burned the last chest of Indian opium at a public ritual before invited guests at Shanghai. After more than 300 years, the India-China opium trade had ended.[81] It was, however, an event of less than historic importance. India now exported opium elsewhere and China grew enough to supply its own addicts.

While Britain engaged in bilateral negotiations with China, the United States sought a solution through multilateral drug diplomacy. After occupying the Philippine Islands in 1898, the United States discovered that it had inherited a colonial opium monopoly from Spain similar to those elsewhere in Southeast Asia. In 1903, for example, Manila had 190 dens retailing a total of 130 tons of opium.[82] Aware that opium provided nearly four percent of colonial revenues and concerned that its prohibition would present major legal problems, the U.S. Governor-General William Howard Taft was inclined to continue the traffic until an outpouring of protest in the United States forced Washington to intervene. In 1903, the colonial regime appointed the Episcopal missionary Bishop Charles Brent and two medical doctors to an investigative opium committee that recommended total prohibition.[83] Between 1906 and 1908, the U.S. regime banned opium smoking in the Philippines, becoming the first American administration to outlaw narcotic drugs.[84]

Whatever its actual impact may have been in the islands themselves, the Philippine ban launched America's attempts at drug diplomacy. Aware that

opium smuggling from China was sabotaging the Philippine prohibition, Bishop Brent convinced President Theodore Roosevelt to organize the first international opium commission.[85] With Bishop Brent in the chair, delegations from thirteen countries met at Shanghai for a month in 1909, passing unanimous, non-binding resolutions that urged "the gradual suppression . . . of opium.[86] Two years later, the United States used its influence to convene a second round of drug diplomacy, the International Conference on Opium at The Hague. Moving beyond the mere recommendations of Shanghai, these sessions drafted The Hague Opium Convention which required each signatory nation to pass its own domestic drug legislation regulating narcotics. As a party to the Convention after Senate ratification of the agreement, the United States fulfilled its diplomatic commitments in 1914 when Congress passed the Harrison Narcotics Act, the country's first federal law restricting drug use.[87] Before the Hague Convention could take effect, however, World War I intervened, delaying further drug diplomacy. At the war's end, the Versailles Treaty incorporated the Hague Convention and in 1925 the League of Nations convened the Geneva Conference, launching a new round of diplomacy. Under the Versailles Treaty, the Geneva Narcotics Convention, and later protocols, drug controls moved away from voluntary national laws to mandatory international controls over the production and sale of drugs.[88] Just as the United States had restricted domestic drug use in 1914 to comply with its obligations under the Hague Convention of 1912, so the Versailles Treaty required Britain's passage of the Dangerous Drugs Act of 1920 and parallel laws by other European nations such as Germany.[89]

Restrained by the influence of the European colonial lobby, this cautious diplomacy produced international treaties that gradually restricted the right of governments to traffic in narcotics. Faced with the threat of diplomatic censure, the major trafficking nations were forced to restrict the trade, producing an 82 percent decline in world opium supply--from 42,000 tons in 1906 to 8,000 tons in 1934.[90] Although none of Southeast Asia's states actually abolished their opium monopolies, all made gestures, genuine and cosmetic, that reduced the region's opium sales by 65 percent in the fifteen years after World War I. Indicative of these changes, the Netherlands Indies, which had been selling opium since the 17th century, cut the colony's consumption by 88 percent, from 127 to 15 tons.[91]

Although these reforms reduced Southeast Asia's legal opium sales, they could not eradicate a mass demand for the drug cultivated by three centuries of colonial rule. These regimes could break their fiscal dependence upon opium taxes by fiat, but colonized societies could not cut the cultural and economic roots of mass opium addiction so quickly. As soon as governments slashed imports or closed opium dens, smugglers and dealers emerged to service the unmet demand.

In the islands of Southeast Asia, a colonial Customs service could, with some difficulty, patrol the sea-lanes and enforce the prohibition on opium imports from India and Iran. But on the mainland, Thailand and Indochina found it impossible to close their mountain borders to the overland caravan trade from Yunnan and Burma. With 50 percent of the region's smokers and 70 percent of its dens,[92] Bangkok and Saigon were Southeast Asia's premier opium markets, offering high profits which drew the caravans southward from the opium hills. There was, moreover, a politics to the opium economy. When the excise departments of Thailand and French Indochina finally stopped taxing the legal trade after World War II, their military commands imposed an informal tax on the illicit traffic. The creation of the colonial opium trade had been far easier than its abolition.

Rise of the Illicit Traffic in Asia

Republican China's attempts at opium prohibition expanded both production and consumption. After 1906, the reduction in British imports and Chinese suppression in Szechwan Province, the country's leading opium producer, led gradually to three negative developments: an increase in opium cultivation in other Chinese provinces; a shift in Chinese consumption from domestic opium to imported heroin; and a centralization of criminal controls over China's now illicit opiates trade. China's experience in the decades before World War II demonstrated that the international opium trade had already developed a remarkable resilience that would allow it to survive almost any attempt at suppression.

After 1909, China's early attempts at eradication created a demand for illicit morphine and opium. As Szechwan's opium production declined, Shanghai's licensed syndicates, notably the Green Gang which held the

opium contract inside the city's French concession, began importing morphine and heroin from Europe. Moreover, this localized suppression in Szechwan stimulated both the spread of cultivation to other provinces and smuggling of illicit opiates into China.[93] Between 1911 and 1915, the U.S. Treasury attache reported, "opium smoking among the classes in China had almost disappeared." When Chinese smokers "who left off the use of opium took to hypodermic injections of morphine," Japan was "quick to sense this change" and there was soon "evidence that enormous quantities of morphine were systematically smuggled through Japan to China."[94] By 1923, Shanghai syndicates were importing 10.25 tons of heroin from Japan and Europe annually to meet consumer demand.[95]

Although China's opium industry was well established, there was nonetheless a qualitative expansion in the country's narcotics traffic starting in the late 1920s when the country's rising criminal syndicates shifted from the import of heroin to its manufacture and distribution. On balance, the growth of the heroin trade in northeast China was a market response to both global and local attempts at suppression. In the decade following the League's first attempt at opiates control in 1925, Shanghai emerged as a major center for the manufacture and distribution of illicit heroin--for both China and the world market. During the 1930s, the spread of heroin production in north China began to supply a substantial, but unquantifiable, share of the U.S. domestic drug market. In 1931, the League of Nations imposed restrictions on the manufacture of heroin in Europe, and just three years later the U.S. Treasury attache in Shanghai noted a "sudden shift of the traffic in narcotics from Europe to the Orient."[96]

When the Geneva convention banning European heroin exports took effect in 1928, China's leading drug syndicates in Shanghai and Tientsin moved one step forward in the production chain by refining Szechwan opium into No. 4 heroin. Reacting to the League's regulations that made diversion of legally manufactured heroin and morphine difficult, Europe's criminal entrepreneurs moved first to Istanbul, the center of a Turkish drug trade which harvested 845 tons of opium in 1928 and manufactured a remarkable 13.2 tons of heroin and morphine in 1932. Pushed by that city's violent criminal milieu and pulled by the scale of the Asian drug trade, leading European drug dealers such as the Eliopolos brothers moved to Shanghai and Tientsin in the early 1930s. In his 1934 report to Washington, the U.S. Treasury attache in Shanghai reported that there had been "an

influx into China of individuals formerly identified with the traffic in Europe. "[97] The same report enumerated 179 major European drug dealers in China, 40 percent of them Greek and 35 percent Russian or Russian Jews.[98] With Japanese laboratories in north China producing "huge quantities of narcotics" and a network of Russian and Greek smugglers living in Shanghai, China soon began supplying America's illicit market, then the world's second largest.[99] In particular, the Jewish syndicates that dominated New York's drug trade under the leadership of Yasha Katzenberg and Louis "Lepke" Buchalter sent agents to purchase heroin through European dealers based in Shanghai and Tientsin.[100]

Simultaneously, Shanghai's Green Gang leader Tu Yueh-sheng emerged as the city's leading drug dealer and a key intelligence operative for Chiang Kaishek's Nationalist Government—an alliance that protected the narcotics network from the regime's highly publicized anti-opium campaign of the 1930s.[101] By 1934, Tu's control over the drug trade was so strong that the U.S. Treasury attache in Shanghai, M.R. Nicholson, concluded, in a formal report to his superiors in Washington, that the Green Gang leader was the "opium King of the nation."[102] Working through the gang's large, disciplined membership, Tu had formed an opium cartel that reached from Shanghai, where he had ten heroin laboratories, up the length of the Yangtze River to the rich opium growing provinces of the southwest, Szechwan and Yunnan. Through his close relations with the Nationalist regime, Tu's cartel was a major force in the Yangtze River opium trade that dominated China's drug traffic. After harvest in the southwestern highlands, the drugs were smuggled down river on military gunboats, with at least 18,000 tons of Szechwan and 10,000 tons of Yunnan opium passing through the major river ports every year. At the city of Hankow, half way down the Yangtze, a garrison of 800 well armed troops stood by to guard the opium steamers, the government's Special Tax Bureau for Hankow collected $20 million in annual opium transit fees, and two of the city's major banks were dedicated to financing the drug trade.[103]

The ultimate basis of Tu's remarkable power, in the U.S. Treasury's analysis, lay with his political patrons. Within the 48 "generations" that had joined the Green Gang since its founding in the early 15th century, Tu and his close ally, China's President Chiang Kai-shek, were leaders of the 22nd generation, the one currently ruling the Gang.[104] In gratitude for

suppressing the 1927 communist uprising at Shanghai, Chiang assisted Tu in the inauguration of his ancestral temple by issuing "secret instructions to all military and civil governors . . . urging them to make appropriate gifts," just one instance that showed "Tu's influence over Chinese political life and his close relationship with General Chiang Kai-shek."[105] Indicative of Tu's control, the head of the government's Opium Suppression Bureau, created by General Chiang in 1933, was an active member of the Green Gang who "still remains loyal to his benefactor, Tu Yueh-sheng."[106]

The most disturbing sign of Tu's power was his recent political alliance with the Japanese forces occupying much of north China and Manchuria. Over the past eight years, Nicholson reported, the "Japanese have been chiefly responsible for the spread of narcotic drugs, .with the aid and protection of their military and naval forces."[107] While Japanese Navy gunboats regularly carried opium down the Yangtze River, 24 known laboratories in north China manufactured heroin "under the protection of Japanese authorities," and the Japanese Army delivered the drug to a new chain of 6,900 Japanese pharmacies selling heroin across north China. Significantly, Tu had agreed "to help the Japanese in their evident scheme to monopolize . . . distribution of opium in North China" in exchange for leaving the Green Gang "in absolute control" of the Yangtze River opium trade.[108]

In effect, the League's attempt at global regulation and the Nationalist regime's local suppression effort combined to expand China's illicit narcotics traffic. Moving beyond primary production of opium, China emerged as the world's leading manufacturer of illicit heroin. Paralleling the shift by European drug entrepreneurs from mere diversion of legal pharmaceutical drugs to illegal manufacturing, Shanghai's Green Gang emerged as Asia's first major heroin producing syndicate in the 1930s.

After the collapse of the Nationalist regime in 1949, Shanghai's narcotics syndicate fled to Hong Kong where they opened heroin refineries in the early 1950s. Suffering reverses in a struggle for control of the colony's heroin trade against local syndicates, Green Gang faded by the mid 1950s and was replaced by small syndicates of ethnic *chiu chau* criminals who traced their origins to nearby Swatow on China's south coast. Using the Green Gang's chemists, these new narcotic networks expanded the colony's heroin consumption during the 1950s and then extended their operations into Southeast Asia in the 1960s. Significantly, Hong Kong syndicate

chemists opened the first No. 4 heroin laboratories along the Thai-Burma border in the late 1960s, introducing the technology that made the Golden Triangle the world's largest heroin producer.[109]

Over the space of two centuries, China had thus progressed from opium importer to heroin exporter through the intersection of three key factors—a global commodity trade in opiates, the failure of successive interdiction campaigns, and an alliance between drug syndicates and government intelligence.

Origins of the Golden Triangle

Despite extensive opium consumption during the colonial era, Southeast Asia had remained a minor producer. In 1936, for example, the Shan States of Burma produced only 8 tons of raw opium,[110] while Laos and north Vietnam together produced 7.5 tons in 1940.[111] Since India supplied their monopolies with limitless, low-cost opium, Southeast Asian governments had no reason to encourage local cultivation. How then do we account for the marked increase in the Golden Triangle's opium production of 15.5 tons in 1940 to 3,050 tons in 1989?

The Golden Triangle's rise as an illicit opium producer began slowly during World War II and then expanded rapidly in postwar decades. Cut off from traditional sources in India and China by wartime battle lines, the French Opium Monopoly reversed its long-standing policy of suppression and began encouraging poppy cultivation among the colony's hill tribes, particularly the Hmong of Laos and northern Vietnam. Under this policy, French Indochina's opium production jumped from a total of 7.4 tons in 1940 to 60.6 tons in 1944. This 800 percent increase in the local harvest was sufficient to maintain supplies for the colony's 100,000 plus addicts and allow a rise in drug revenues from 15 to 24 million piasters.[112]

During World War II, Thailand annexed the Shan States of northeastern Burma and used its military occupation to supply Bangkok's monopoly with smoking opium. In May 1942, the Thai Northern Army marched into the Shan market town at Kengtung where Major General Phin Choonhawan, governor of what Bangkok now called the "United Thai State," established

a military administration.[113] A few months later, the Thai Opium Monopoly imported 36 tons from the Shan States, raising opium revenues to a record level.[114] At war's end, when Japanese forces began to suffer reverses on the Indian front, Bangkok ordered Governor Phin home from Kengtung and demobilized his Northern Army.[115] Although this operation was a minor footnote to the war's main battles, some of the political links that would later bind these disparate highlands into the Golden Triangle opium zone were forged during the Thai occupation. Significantly, after World War II many of the key Thai military who dominated the country's politics and controlled the opium traffic with Burma were veterans of Shan State occupation."[116]

The sudden growth of Golden Triangle opium production in the 1950s appears, in retrospect, a response to two stimuli. Reacting to international pressures, governments abolished legal opium sales and thereby created a sudden demand for illicit opiates in Hong Kong and the cities of Southeast Asia. Moreover, an informal alliance among four intelligence services—Thai, American, French and Nationalist Chinese—played a catalytic role in promoting the production of opium in northern Laos and the Shan Plateau of northern Burma.

The transformation of the disparate highland ridges that sprawl for more than 100,000 square miles across the roof of Southeast Asia into an integrated opium zone was not simply the product of global market forces. Without supply, the large addict populations of Bangkok and Saigon might have disappeared gradually like those in Manila and Jakarta. Without demand, the poppy fields of Burma and Laos might have faded over time like those of Yunnan just to the north. Searching for the catalytic forces that brought supply and demand together with such dramatic effect leads to the covert warfare, French and American, fought in these mountains during the early decades of the Cold War.

Covert combat in the mountains of Southeast Asia along the Chinese border became a war by proxy in which local allies were more important than firepower. Operating beyond the controls of bureaucracy in Paris and Washington, a small cadre of clandestine warriors struck ad hoc alliances with the tribes and warlords who inhabited the mountains of the Golden Triangle. With their support, the CIA and its French counterpart were able to penetrate China on intelligence missions, monitor its long border for

signs of an impending Chinese attack, and mobilize tribal armies to battle communist guerillas in this harsh terrain.

For different reasons, both French and American operatives integrated their covert warfare with the Golden Triangle opium trade. The French motivation seems, on its face, simple. Denied funds by a National Assembly tired of an Indochina War that dragged on for a decade, French intelligence did not have adequate covert funds. Faced with fiscal constraints, French officers merged the opium supply of Laos with the drug demand of Saigon to fund covert operations against communists in both combat zones. After the French colonial regime abolished the Opium Monopoly in 1950, military intelligence took control of the drug trade. French paratroopers fighting with Hmong guerillas in Laos and northern Vietnam shipped their clients' opium south to Saigon on French military aircraft where the illicit drugs were sold in the city's opium dens run by the Binh Xuyen bandits, a criminal syndicate that controlled the city on behalf of the French.

The CIA's motivation was more complex. Although the agency's funding was generous, it was not limitless and all of its operations, no matter how important, had budgetary constraints. By drawing upon the resources of a powerful tribal leader or local warlord, a CIA agent could achieve a covert operational capacity far beyond his budgetary limits. More important, the CIA's tactics of indirect intervention required that all operations be executed by local allies, regardless of the terrain. Thus, an effective covert warrior had to find a strong local leader willing to merge his people's resources with the agency's operations. In the highlands of Southeast Asia, a region of weak micro-states and fragmented tribes, such strongmen usually combine traditional authority with control over the local economy. By the 1950s, the only major commodity in the Golden Triangle was opium and the most powerful local leaders were the opium warlords. "To fight you must have an army," explained Gen. Tuan Shi-wen, s veteran Nationalist Chinese commander who fought with the CIA in Burma, "and an army must have guns, and to buy guns you must have money. In these mountains the only money is opium."[117]

In Indochina during the 1950s, the French military directed an illicit drug traffic that linked the Hmong opium supply in Laos with the demand of Saigon's opium dens. Across the Mekong in Burma and Thailand, the CIA fought a purer kind of covert warfare by operating indirectly through their

local clients. Thus, it was the CIA's informal alliances that tied the Nationalist Chinese opium supply in Burma with the demand for drugs in Bangkok. Despite tactical differences, both operations provided the logistics that merged supply and demand. The French military, through its own air force, opened a Laos-to-Saigon air corridor; and the CIA, through the mule caravans of its clients, presided over the formation of a Burma-to-Bangkok overland corridor. Specifically, CIA covert operations in northern Burma fostered political alliances that linked the poppy fields of Burma with Bangkok's drug market. To provide logistic support for the Nationalist forces, the CIA forged a tactical alliance between the Chinese irregulars and Thailand's dominant military leader, Police General Phao Sriyanonda, that soon evolved into a de facto division of the Burma-to-Bangkok opium trade.[118]

The United States became involved in the Golden Triangle in 1950 when the CIA rearmed remnants of the Nationalist Chinese, or Kuomintang (KMT), army in northeastern Burma for an invasion to liberate China from communism. Although the details have never been revealed, the CIA plan involved an arms airlift to Burma via Bangkok, logistical support for KMT forces based in Burma, and, most important, air operations to supply the KMT forces once they had penetrated China. Judging from external evidence, the CIA hoped that this invasion would spark a mas uprising led by Nationalist guerrillas believed waiting inside China, thereby drawing Chinese communist troops from the Korean front where U.S. forces were sorely pressed.[119]

Although the U.S. Joint Chiefs of Staff originally reported some 600,000 to one million Nationalist guerrillas inside China, only a few scattered bands actually joined the Nationalist invaders once they crossed the border.[120] After at least three failed invasions of Yunnan with heavy losses of men and equipment in 1951-1952, the KMT forces fell back into Burma's prime opium lands between the Salween River and the China border--7,300 troops in the Wa States and 4,400 further south in Kengtung State.[121] As U.S. covert aid gradually declined, the Chinese Nationalist irregulars turned to opium trading to finance their operations. Forcing local hill tribes to produce opium through a mix of coercion and market incentives, the Nationalist troops presided over a massive increase of poppy cultivation on the Shan Plateau. Through their alliance with the head of Thailand's police, also a CIA client, the Nationalist Chinese commanders sent their opium

caravans south into Thailand to supply the growing illicit markets of Southeast Asia and Hong Kong.[122]

After a joint Burma-China military operation evicted them from the Shan States in 1961, the Nationalist forces established new base camps just across the border in Thailand and from there dominated the Shan States opium trade until the early 1980s. During their decade-long occupation of Burma's prime opium lands between the Salween River and the Chinese border, the KMT had fostered a generation of local opium warlords such as Olive Yang, Lo Hsing-han, and Khun Sa who remained in Burma to struggle, as both antagonists and allies, for control of the local traffic.[123] By the mid 1960s, the high profits of the Shan opium trade financed the formation of new armies, notably Khun Sa's Shan United Army (SUA), that would challenge Nationalist Chinese dominion and expropriate much of the traffic by the late 1970s. Even after the KMT's control faded, opium continued to dominate the region's economy, corrupting all contenders for control of Burma's northeast-Shan rebels, Chinese warlords, the Communist Party of Burma, and Rangoon's military regime.[124]

In retrospect, the entire Burma operation of the 1950s appears as one of the most dismal episodes in the history of the CIA. At the most basic level, the KMT's rag-tag invasion was easily repulsed by Yunnan provincial militia after an advance of only sixty miles, thus failing in its main mission of drawing regular Chinese forces away from the Korean front. Although this disaster contributed to the abolition of the responsible CIA affiliate, the Office of Policy Coordination, the agency's internal review failed to grasp the full implications of the Burma operation. Drawing upon an interview with CIA veteran Tom Braden, one historian explained that the CIA would not admit that the KMT campaign had become "a drug-producing operation* and later "hatched elaborate plans for the army, knowing full well they were engaged in nonsense but not prepared to jeopardize careers . . . by admitting to so monumental a mistake."[125] By failing to repudiate the KMT and its involvement in the opium trade, the CIA had, in effect, created precedent that would allow later covert operations to become similarly compromised.

Thus, in 1958-1959 when the CIA intervened in Laos its covert operations soon become integrated into the local opium traffic,[126] Arriving only four years after the French withdrawal, the CIA inherited both their

alliance with Hmong highland guerrillas and their complicity in the tribal opium trade. From 1960 to 1974, the CIA maintained an army of 30,000 Hmong tribesmen in the mountains of northern Laos--a secret war that eventually required CIA tolerance for the tribe's main cash crop, opium. As an operation of unprecedented scale and duration, the Laotian war led to an integration of CIA covert action with the fabric of Hmong tribal society and economy.

The agency did not profit directly from opium, but the combat strength of its secret army was nonetheless dependent upon the Laotian drug trade. Although some writers have described the Hmong as the CIA's "mercenary army,"[127] the relationship was much more complex. As a migratory hill tribe with little loyalty to any nation, the Hmong had no intrinsic interest in winning the war. Yet this small tribe absorbed extremely high casualties in heavy combat that dragged on, without promise of victory or reward, for nearly fifteen years. The CIA maintained the Hmong motivation with remarkably few field operatives. In 1961, after just a year of operations, the CIA reported that it had nine operatives working in the field with 9,000 Hmong guerillas.[128] With a ratio of only one American agent for every thousand tribal guerillas, the CIA had to rely upon its chosen Hmong commander, Major Vang Pao, to mobilize and command his people's forces. In actual combat, the role of CIA operatives was limited to planning maneuvers and providing the air power needed to sustain any advance. In effect, the success of the CIA's secret war in Laos lay with Major Vang Pao's capacity to control his disparate, fissiparous tribe.

For Vang Pao to be effective in mobilizing his people for war, he had to maintain the political support of Hmong villages scattered across the highlands of northern Laos. As the success of its secret war became dependent upon this single leader, the CIA used several tactics to raise Vang Pao's prestige among the Hmong: most important, by giving him the resources to become a powerful patron; and, second, by encouraging his alliance with the traditional tribal elite. In the words of CIA director William Colby, the agency promoted Vang Pao as a "new breed of tribal leadership" and simultaneously encouraged "the expression of external deference to the old leaders."[129] These maneuvers did raise Vang Pao's prestige, but it was the material and coercive aspects of his relationship with the tribe that would remain paramount.

Control over the essentials of the Hmong household economy, rice and opium, reinforced Major Vang Pao's authority, transforming him from a minor military officer into a tribal warrior who could extract adolescent recruits from villages no longer willing to accept the high casualties of this secret war. Living in itinerant highland villages with an austere life style, the Hmong had an agricultural economy based on cultivation of two basic commodities-rice for subsistence and opium for cash. As the war took away the male labor necessary for preparation of the rice fields, the Hmong became dependent upon U.S. A.I.D. rice shipments delivered by the CIA's proprietary, Air America. Since the Hmong leaders had little to gain from a French or American victory, they were free to demand air transport for their opium as a partial price for their service as soldiers. By giving Vang Pao a de facto control over air transport of rice into and opium out of the Hmong villages, the CIA gave him direct economic leverage over these scattered highland households. To prosecute this secret war with any efficiency, the CIA thus found that its aircraft, like those of the French paratroopers before them, had to transport the tribe's only cash crop, opium.[130]

It was then the logic of the agency's tactics of indirect intervention through local allies, some of them opium brokers, that led to a similarly indirect involvement in drug trafficking. On balance, the CIA's role in Southeast Asia's heroin trade involved indirect complicity rather than direct culpability. Indeed, in 1972 the CIA itself conducted an investigation of the Laotian drug trade which corroborated these patterns of complicity. Reviewing the agency's relations with its Laotian allies, the CIA Inspector General expressed "some concern" that "local officials with whom we are in contact . . . have been or may be still involved in one way or another in the drug business . . . What to do about these people is a particularly troublesome problem, in view of its implications for some of our operations, particularly in Laos."[131] Among the consequences of such a strategy not detailed in this report was the production of growing heroin supplies, first for U.S. troops in Vietnam and later for addicts in America.

By the mid-1960s, Southeast Asia had a self-contained narcotics industry producing enough raw opium to sustain addicts in its own cities and neighboring Hong Kong. Following a pattern found in other opium-growing regions, local demand in the cities of Southeast Asia raised the region's opium harvest to levels sufficient for an eventual entry into the world market and then sustained it during periodic downturns in global demand.

Although Hong Kong's chemists had been producing heroin from Southeast Asian opium since the mid 1950s, heroin laboratories did not open in the Golden Triangle until the American military presence in South Vietnam created a local demand for No. 4 heroin. Sometime in 1968-1969, Hong Kong syndicate chemists opened a cluster of heroin laboratories in the border region where Burma, Thailand, and Laos converge. Operating under the protection of CIA allies such as the Nationalist Chinese generals in Thailand and the Commander-in-Chief of the Royal Lao Army, these laboratories produced substantial quantities of 90 percent pure heroin.[132]

With nearly limitless supplies from these protected laboratories, heroin use among American soldiers in South Vietnam reached epidemic proportions. A U.S. Army survey administered to 1,000 Vietnam returnees in March 1971 showed that 11 percent had used heroin regularly in Vietnam and 22 percent had tried it at least once.[133] Two years later a special White House committee confirmed these initial reports of widespread drug abuse with survey research showing that 34 percent of the American soldiers in Vietnam had "commonly used" heroin.[134] Assuming that 11 percent of all U.S. troops in Vietnam used heroin regularly in 1970, then Vietnam's drug market supplied 36,000 GIs. If we add 36,000 soldier addicts to the 69,000 estimated heroin users in the United States,[135] then the Golden Triangle was, by 1971, already supplying 34 percent of the total American heroin market. Not surprisingly, the accelerated withdrawal of U.S. combat forces in 1971-1972 forced Southeast Asian syndicates to seek new markets for their heroin production.

Southeast Asia in the World Market

As American troops withdrew from Vietnam in 1972, President Richard Nixon inadvertently created a new market for Southeast Asian heroin by declaring a "war on drugs" in the Mediterranean. Acting on reports that Turkey's poppy fields and France's laboratories supplied 80 permit of America's heroin, Nixon pressed these two allies to eliminate the drug trade. By 1973, Turkey, supported by $35.7 million in U.S. aid, had eradicated all opium production and the French government had closed most of the heroin

laboratories in the Marseilles region.[136] Within months, the street price of heroin in New York had tripled and purity dropped by half-both indicators of a serious shortage. Indeed, the DEA estimated that the U.S. addict population dropped from some 500,000 in 1974-1975 to only 200,000 by the end of the decade.[137]

Ironically, President Nixon's victory on Turkey's Anatolian Plateau increased global drug demand, unleashing market forces that would ultimately expand both production and consumption of illicit narcotics. The Nixon drug war rested on the premise that Turkey was an isolated opium producer and the eradication of its crop, through a strong enforcement effort, would permanently eliminate the bulk of America's heroin supply.

Turkey was, in fact, the western extremity of a near continuous opium zone that stretched for 5,000 miles along the mountain rim of Asia-through Iran, Afghanistan, Pakistan, Burma and Laos. Any reduction of production in a single sector, such as Turkey, soon became a strong market stimulus for increased production elsewhere along the opium zone. Although U.S. officials apparently imagined Asia's opium zone as a series of self-contained sectors (Middle East, South West Asia, and Southeast Asia), this elongated highland zone responded to stimuli from the global drug market with a surprising speed and unanimity.

Reacting to the decline in heroin exports from the Mediterranean, the Chinese, syndicates of Southeast Asia began exporting their surplus heroin to America, in effect following the GIs home. Rising from insignificant levels in the late 1960s, Southeast Asian heroin captured 29 percent of New York's street supply by 1972. In Chicago, Southeast Asia's share jumped from 6 percent of all samples seized in 1972 to to 48 percent in 1973.[138] A wave of arrests of Chinese merchant seamen jumping ship on the East Coast in 1972 signalled an upsurge of Asian heroin smuggling.[139] During the early 1970s, Southeast Asia's share of the U.S. heroin market reached an estimated 26 to 30 percent of the total street supply.[140]

Concerned about rising Southeast Asian herom seizures, the Nixon administration dispatched a "fire-break team" of 30 Drug Enforcement Administration (DEA) agents to Bangkok in 1973-1974 to cut the flow. Armed with a financial war chest that included $12 million in narcotics assistance funds, the Bangkok DEA seconded a branch of the Thai police to its service and soon began making substantial seizures of U.S.-bound

heroin. By 1976, Southeast Asian heroin dropped from a peak of 30 percent to about 8 percent of the total seized on the streets of American cities.[141] Moreover, the DEA presence contributed to the elimination of several leading exporters of Southeast Asia opiates. In 1973, the Marcos regime executed a Manila heroin manufacturer, Lim Seng, who was exporting major quantities to the United States. In 1974, Hong Kong Police broke the Ng Sik-ho syndicate, disrupting the colony's export operations.[142]

Since the DEA did not eradicate opium cultivation on the Shan Plateau or close the heroin refineries in northern Thailand, its seizures simply erected a defacto Custom's shield that deflected exports from the United States to other markets. If the region's loosely structured opium industry were instead a legal corporation, then the import duties it was required to pay for access to key markets would, in effect, have become prohibitive. Faced with the loss of these markets, Southeast Asia's drug syndicates were forced to find new markets or go out of business. There are, of course, only four First World markets capable of sustaining the high costs of the transnational heroin trade—America, Japan, Europe and Australia.

Denied access to the U.S. by the temporary success of the DEA's operations and barred from Japan by an entente between the state and organized crime that discouraged narcotics, Southeast Asian syndicates began exporting heroin to Europe and Australia. During the 1970s, police statistics from both continents indicated a parallel surge in illicit heroin use. Total European seizures of Southeast Asian No. 3 heroin jumped from 22 pounds in 1972 to 873 in 1978.[143] by 1976, European seizure of 1,177 pounds of heroin, almost all from Southeast Asia, was higher than the U.S. total for all source countries.[144] In the Netherlands, for example, the estimated addict population increased from 800 in 1970 to 10,000 by 1975. In West Germany, deaths from heroin overdose increased from 9 in 1969 to 623 a decade later.[143] Similarly, in Australia narcotics arrests in the state of New South Wales increased five-fold from 173 in 1972 to 909 in 1977; while over-dose deaths were up three-fold from 14 in 1974 to 49 in 1976.[146]

Although Nixon's drug war thus stimulated the global market, its impact on U.S. domestic supply was more ambiguous. In the late 1970s every indicator--addiction, purity, and price--pointed to a decline in America's heroin supply. Why? Did Nixon's drug war succeed in slowing the flow of drugs into the United States? Mexico did capture nearly 90 percent of the

U.S. heroin market, but its erratic shipments of crude No. 3 heroin somehow failed to satisfy American demand for the pure No. 4 powder no longer avaliable from Europe or Southeast Asia. Looking at these changes, we could conclude that Nixon's drug war had actually worked. Examining other evidence, however, we could attribute this decline to President Carter's foreign policy. His cessation of CIA covert operations from 1976 to 1978 may have removed, albeit inadvertently, the protection that drug lords seem to require. Similarly, his administration's abandonment of the drug war might have stilled the stimulus of prohibition. Given the complexities of the global drug trade, this issue cannot be decided with absolute certainty. Nontheless, a close review of the global drug traffic indicates that prohibition and protection were, on balance, the operative factors--in both the decline of heroin supply in the 1970s and its increase during the 1980s.

In the mid 1970s, as Turkish supplies dwindled and Southeast Asia failed to fill the void, Mexico's production boomed and its Sierra Madre became America's major source of heroin. In the 1950s, Mexican opium cultivation had been extremely low and supplied a tiny slice of the U.S. heroin market. When poppy cultivation spread in the early 1970s, however, Mexico delivered 40 percent of U.S. heroin demand in 1972 and 90 percent in 1975.[147]

Mexico's dominance of the U.S. market with low-grade No. 3 heroin coincided with a marked decline in U.S. heroin demand during the mid-1970s, providing some hope that this bilateral or sectorial approach to international interdiction might be working. As U.S. enforcement efforts took effect and the drag flow from Mexico began to slow in the late 1970s, unmet U.S. demand for drugs stimulated renewed Southeast Asian exports that briefly captured about one-third of the American market.

Then unusual patterns in Asia's monsoon rains brought a two-year long drought that cut the Golden Triangle's opium production by over half to some 225 tons in 1980.[148] Responding to the market opportunity and protected by a major CIA covert operation, heroin production in South West Asia--Afghanistan and Pakistan--suddenly expanded to fill gaps in the global market. By 1979, South West Asian heroin had captured the European market. As Dutch seizures of Southeast Asian heroin dropped from 193 pounds in 1979 to 6.5 in 1980, so European seizures of South West Asian heroin jumped from 911 pounds to 1,980 in the same period. From insignificant levels of heroin use in 1970, Western Europe had

developed an addict population estimated at 190,000 to 330,000 users by the end of the decade--a heroin market larger than America's.[149]

In 1980-1981, heroin from South West Asia also fueled a new surge of heroin use in the United States. After a quarter-century of rising heroin addiction, America had enjoyed a brief respite during the mid and late 1970s--a period that coincided with an absence of any drug-related covert operations. U.S. diplomacy in Turkey and DEA interdiction in Bangkok had slowed Asia's drug exports, allowing America a prolonged heroin drought for the first time since World War II.[150] By late 1980, however, the flood of heroin from Pakistan and Afghanistan, produced by the CIA's local covert-action assets, had captured 60 percent of the U.S. market and brought a renewed heroin crisis. As heroin-related injuries increased 25 percent during the year, the nation's population of addicts climbed back to 450,000,[151] With an estimated production of 1,600 tons, South West Asia's opium crop was over three times larger than the 450 tons that the Golden Triangle had produced in its last good year, 1977-1978.[152]

There were signs that the situation would worsen. Without any restraint on production or processing, heroin exports from Pakistan and Afghanistan continued to grow. Rising from about 100 tons in 1971, Afghanistan's opium production reached 300 tons in 1982 and then doubled to 575 tons in the next harvest.[153] Recovering from a two-year failure of the monsoon rains, Southeast Asia's Golden Triangle produced a bumper opium crop in 1981 that would, in the words of the U.S. Attorney-General, "provide enough heroin to glut the world market."[154] Other illicit drug sales were also rising. Between 1979 and 1980 alone, street sales of all illicit drugs in the United States increased by 22 percent to $79 billion. While America's heroin imports rose by 7 percent to four tons worth about $8 billion, cocaine supply jumped a remarkable 57 percent to 44 tons worth $29 billion.[155]

Despite some initial success, America's drag war had thus produced a paradoxical strengthening of the global narcotics traffic. By the late 1970s, the simplicity of the Turkey-Marseilles-New York heroin pipeline had been replaced by a complex of international smuggling routes that tied the disparate zones of First World consumption to Third World narcotics production. With production and consumption now dispersed about the

globe, the international narcotics traffic was far more resistant to suppression than before.

By the early 1980s, the global narcotics market had survived the natural and political reverses of the 1970s, emerging with the capacity for a decade of explosive growth. As a direct response to U.S. interdiction efforts in the 1970s, narcotics consumption had spread to new two continents and global production had expanded in both scale and scope, rendering the illicit drug trade far more resistant to suppression than it had been at the decade's start. In an implicit condemnation of the suppression efforts of the 1970s, U.S. Attorney General William French Smith reported that U.S. drug sales (heroin, cocaine, and marijuana) totalled $79 Billion in 1980. Every significant indicator pointed to further rises.[156]

The Reagan-Bush drug wars of the 1980s provided further evidence of the counterproductive impact of U.S. efforts at supply-side suppression. During the 1980s, America experienced an unprecedented drug crisis. Rising from insignificant levels, cocaine abuse, first as pure powder and then as crack, reached pandemic proportions by the mid 1980s. Between 1982 and 1985, U.S. cocaine consumption more than doubled to 72 tons.[157] As supplies grew and prices dropped between 1981 and 1986, the number of Americans using cocaine rose by 38 percent to 5.8 million.[158] Responding to public panic over the cocaine epidemic and its accompanying street violence, the Reagan and Bush administrations deployed escalating tactics of repression that eventually drew the military into their drug wars. By early 1991, the Bush White House was citing survey results, which showed a decline in the extent of cocaine abuse, to claim a near victory in its war on drugs.[159] A closer look at long term trends indicated, however, that the illicit drug trade had again reacted to repression by adjusting in unexpected ways that allowed this global commerce to survive. When Bush's campaign reduced the cachet and quantity of illicit cocaine in 1989-1990, the drug market filled the void with expanded heroin supplies marketed in a way that appealed to both lower class crack addicts and middle class cocaine users.[160]

As the war on cocaine escalated in the 1980s, the overall character of the U.S. illicit drug market changed in some significant ways. In general, there were several signs that the era of experimentation and casual soft drug use was, after twenty years, coming to a close. While casual use faded, the

numbers of regular, or "hard core," cocaine and heroin users "remained high."[161] As Dr. James Van Wert noted in mid 1991, "cocaine-related deaths have increased by 10 percent since 1988, *daily* cocaine users increased by 15 percent."[162] Moreover, there were indications of an overlapping demand for either heroin or cocaine in America's illicit drug culture. Although some local markets showed a preference for a particular drug, such ais Miami for cocaine or New York for heroin, there was a growing tendency across the country for regular drug users to take both. Between 1981 and 1985, for example, deaths from "speedballs," a mixture of cocaine and heroin, rose by 754 percent.[163]

Eclipsed by the media focus on cocaine and crack, global heroin production and U.S. consumption rose steadily during the decade. World opium production tripled from an estimated 1,600 tons in 1982 to 4,700 in 1990.[164] The U.S. population of heroin addicts had stabilized at about 500,000 in the early 1980s, but there were subsequent signs of rising use. Between 1983 and 1986, the number of heroin-related deaths doubled. Moreover, a new Mexican "black tar" heroin appeared in the mid 1980s with a high purity and low price that made it competitive with crack in the western United States.[165] As the long drought in the Golden Triangle came to an end in 1980, farm-gate opium prices in Burma soared from $91 in January 1979 to $399 in June 1980, boosting production from a low of 160 tons in 1979 to 2,625 tons in 1989.[166]

While supplies from Mexico and South West Asia waxed and waned, Golden Triangle heroin increased its American market share steadily from 18 percent in 1987 to 45 percent in 1990. Between 1984 and 1990, Southeast Asia's share of the New York City heroin market jumped from 5 to 80 percent.[167] In 1989-1990, moreover, a flood of Southeast Asian heroin lowered the wholesale price of "China white" in New York from $100,000 a kilogram to only $60,000, undercutting the cocaine market and creating a new clientele for the drug. Crack addicts seeking an easier withdrawal were reportedly using heroin in large quantities, as were those mixing the two drugs for a more prolonged euphoria. "The heroin situation is growing on a daily basis," reported the DEA's heroin expert Felix Jimenez in June 1990. "There's big profits, and the production of opium has doubled . . . It is the tip of the iceberg."[168] Although White House drug policy treated cocaine and heroin as discreet drug markets, there was in fact an overlapping

demand for both narcotics. Within America's polydrug culture, Asian heroin could supply a shortfall in demand for Latin American cocaine.

Although the drug pandemic of the 1980s had complex causes, the growth in the global heroin supply could be traced, at least in part, to two key aspects of U.S. policy—the failure of the DEA's interdiction efforts and CIA covert operations. Specifically, the increasing opium harvests in Burma and Afghanistan, America's major suppliers, were, in part, the legacy of CIA covert operations past and present. Just as CIA support for KMT troops in the Shan States had increased Burma's opium crop in the 1950s, so the agency's aid to the *mujaheddin* guerillas expanded opium production in Afghanistan and linked Pakistan's nearby heroin laboratories to the world market. After serving as the sites of major CIA covert operations, Burma and Afghanistan ranked, in 1989 estimates, as the world's first and second largest suppliers of illicit heroin.[169] After the end of Soviet support for the Kabul regime and the cessation of CIA arms shipments to the rebels in January 1992, there was every indication that Afghanistan would remain a major heroin supplier for the world market. Indeed, in late 1991 the United Nations anti-drug commission reported that Afghan guerrillas, anticipating the cessation of CIA support, were already planning a greatly expanded opium crop as an alternative source of finance. A UN report published in Pakistan claimed that Afghanistan's 1991 opium crop was already 2,000 tons, while privately UN anti-drug officials predicted a vast Afghan crop of some 4,000 tons for 1992—a harvest large enough to double the world's entire illicit opium supply.[170] As in Burma twenty years before, covert operations in Afghanistan had facilitated formation of major drug networks that had survived a period of initial vulnerability through Agency protection and could now continue to grow long after the CIA had left the region.

By attacking heroin trafficking in the separate sectors of Asia's extended opium zone in isolation, the Drug Enforcement Administration inadvertently diverted heroin exports from America to Europe and shifted opium production from the South West Asia to Southeast Asia and back again-raising both global consumption and production with each move. Moreover, White House fixation with Latin America's cocaine traffic diverted resources from the interdiction of Asian heroin. By using a massive interdiction effort to cut supplies of Latin American cocaine without reducing the overall U.S. demand for drugs, the White House created a void in the cocaine/crack market that was soon filled by increased

supplies of Southeast Asia heroin. Between the DEA's inaction and the CIA's complicity, the Asian heroin trade expanded during the 1980s to provide ample supplies of an alternative narcotic when cocaine sales finally began to decline. Operating with the dynamics of a resilient commerce, the global narcotics trade seemed highly resistant to any renewed war on drugs, no matter how extreme the strategy.

Failure of Repression

Reflecting a deepening public concern over the pandemic of cocaine and heroin, President Bush's "War on Drugs" is emerging as America's major foreign policy initiative of the 1990s. To cut the flow of cocaine northward across the Caribbean, President Bush has invaded Panama with 24,000 combat troops, proposed posting a battle fleet off the coast of Colombia, convened a series of unprecedented drug summits of Latin American leaders, and mobilized a billion-dollar war chest for his foreign and domestic campaigns.

Armed with a national consensus for extreme action, in September 1989 President Bush and his drug czar William Bennet committed the country to a policy of repression far exceeding President Nixon's earlier "war on drugs." In the months since Bush's declaration, American policy has escalated beyond diplomatic pressure to military intervention. Compared to this arsenal of policy weapons, Nixon's use of financial aid and diplomatic pressure seem almost feeble instruments.

Now that we are fighting our second drug war on foreign fields, it is time to ask some obvious questions. Can increased repression of the international traffic slow, if not stem, the flow of narcotics from the Third World to the United States? If not, why is the policy likely to fail? What will be the consequences of such failure?

Although the policy variables are too complex for a synchronic analysis, there are historical precedents which can provide the basis for assessing the current drug war. Since the formation of the first federal narcotics bureau in 1920, there have been several distinct phases in U.S. international narcotics policy. Before World War II, the federal government focused on domestic suppression of illegal drug sales through a specialist agency, the Federal

Bureau of Narcotics (FBN). To deal with the international traffic, the United States supported, in a limited way, attempts by the League of Nations to reduce global narcotics supply through a multilateral diplomacy. In retrospect, this diplomacy made some progress in cutting global opium supplies. Through a broad range of regulations and restrictions, the League of Nations lowered global opium production from its peak of 41,600 tons in 1906 to just 7,600 in 1934.[171] Similarly, through the Geneva accord of 1925 and the League's Limitation Convention of 1931, the world's legal heroin production plummeted from 9,000 kilograms in 1926 to only 1,000 five years later.[172]

The League's regulations did have some negative consequences. Unable to undermine the foundations of an established global commodity trade, the League's success at suppression produced an unanticipated market response--the expansion of international criminal syndicates that allowed the global drug trade to adapt and survive. No longer able to divert legal European narcotics to illicit markets in Asia and America, criminal syndicates-American, European and Asian-moved into the direct manufacture of illicit heroin. In effect, these syndicates elaborated into a global network of criminal contacts to assume the functions once performed by the legal pharmaceutical industry. On balance, however, the League's attempts at prohibition did reduce the scale of the global drug trade, producing the first significant reversal in the inexorable rise of the opium trade in over 150 years.

By contrast, U.S. bilateral efforts have had the opposite effect, expanding both production and consumption of heroin. Before World War II, U.S. narcotic agents did not operate outside America. In the late 1940s, however, the United States reduced its reliance upon multilateral diplomacy and began using its diplomatic leverage to post FBN agents at its embassies in Europe and the Middle East. Instead of waiting for the UN's slow, multilateral efforts to reduce the entire world's drug production, the FBN's bilateral approach targeted specific sources of America's drug supply in single countries such Italy or Mexico.

This bilateral drug diplomacy achieved its ultimate logic in 1973 when President Richard Nixon declared his "war on drugs." Fighting his first battles in the Anatolian Plateau, Nixon drew upon the close U.S. military alliance with Turkey to force a complete eradication of legal opium production. Over the next decade, American drug dealers shifted their

sources of supply from Turkey to Southeast Asia, to Mexico, then to South West Asia, and back to Southeast Asia-expanding both supply and demand with each shift. Thus, America's attempt at bilateral repression had compounded the problem.

The failure of the DEA's drug diplomacy has contributed to a sharp rise in the global production of drugs over the past 20 years. The slow pressure of multilateral drug diplomacy had forced a gradual reduction in global production of illicit opium from 7,600 tons in 1934 to only 1,000 tons in 1970.[173] In the following 20 years, however, rising global demand and the failure of the DEA's suppression efforts, combined with CIA protection for the drug lords, allowed world opium production to multiply four-fold to 4,200 tons by 1989.[174]

Given this history of failure, is Bush's drug war likely to have the same long-term impact on the global drug trade that Nixon's did? The answer to these questions seems to lie within two key aspects of U.S. interaction with global drug trade: first, CIA alliances with key international drug dealers; and, more importantly, the impact of U.S. attempts at repression upon the global drug market.

Rather than concentrating its full foreign policy resources on repression, the United States has tolerated a series of covert alliances between the CIA and leading drug lords. During the 40 years of the Cold War, a number of major CIA operations involved covert associations with leading drug brokers--in Marseille, Burma, Laos, Afghanistan and Central America—which, at several key points, amplified the scale of the global drug traffic by linking new production areas to the world market. Protected by the CIA and its allied intelligence agencies, these drug brokers enjoyed a de facto immunity to investigation during a critical period of vulnerability while forging new market linkages. In particular, the DEA has always been reluctant to operate in drug zones where the CIA is conducting covert operations, a practice that has blocked investigations in Laos, Afghanistan, Pakistan and Honduras at times when each was emerging as a major narcotics supplier for the United States. Significantly, in 1989 some 3,000 tons of opium, or 73 percent of world's illicit supply, came from Southeast Asia where U.S., Thai, and Nationalist Chinese intelligence had been allied with the region's key drug lords for nearly a quarter century. Much of the balance came from areas of Southwest Asia controlled by the CIA's current assets within the ranks of the Afghan resistance and Pakistani intelligence.

Thus, from the outset the U.S. attempt at bilateral interdiction has been compromised by countervailing CIA protection for major drug dealers.

Even in cases without this contradictory CIA protection, U.S. attempts at bilateral repression have produced an expansion of both global production and consumption. Since the late 18th century, the growing global demand for narcotics has created a commodity trade in both coca and opium derivatives. As long as demand exists, dealers have generally found ways to supply their markets. Bilateral repression, no matter how extreme, seems incapable of controlling the complexities of the international narcotics trade.

When the blunt baton of law enforcement is brought down upon such an elaborate commerce, drug merchants usually react in ways not foreseen by the enforcement agencies. Indeed, the history of Nixon's drug war indicates that intensified repression produced an increase in narcotics supply. Treating the global narcotics trade as if it were a localized vice such as pornography or prostitution, Washington has applied repression without any awareness of the complex market global marketing systems that sustain the international drug traffic. Confronted with repression, the global narcotics trade has reacted by expanding both demand and supply, elaborating trafficking routes and making them less susceptible to control. Instead of reducing or eradicating narcotics, repression can become another market stimulus. Even under optimum circumstances, bilateral repression can actually increase, rather than reduce, the global supply of narcotics.

Ultimately, the dismal results of America's attempts at international interdiction over the past 20 years indicate the need for a basic reconceptualization of the heroin problem. Instead of viewing heroin purely as a moral or legal problem, we must recognize its essential character as a global commodity. Rather than applying a strategy of repression derived from domestic law enforcement tactics, we must realize that the global heroin trade operates through a dynamic set of market linkages that can react to repression in surprising ways to insure the continuity of commerce. In particular, the DEA has applied its tactics of bilateral interdiction to single sectors of the global heroin trade, ignoring the global market dynamics of the drug and thereby stimulating an expansion in both the scale and scope of the trade. Recognition of heroin's character as a commodity might not produce a more effective strategy of interdiction, but it may well minimize the damage from future operations by allowing us to recognize, in

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11

Heroin and Highland Insurgency in the Golden Triangle

Bertil Lintner
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Introduction

For decades, the Golden Triangle—where the borders of Burma, Thailand, and Laos meet—has been one of the world's most important suppliers of illicit narcotics. Although any statistics from this inaccessible area should be taken with a great deal of skepticism, most reports show a dramatic upsurge in both the cultivation of opium and the refining of heroin in recent years. Western narcotics officials estimate that the output has doubled since the 1987-1988 harvesting season when it reached 1,200 tons of raw opium. In 1988-1989, a bumper crop of 2,400 tons was harvested. The 1989-1990 opium harvest was in the same order of magnitude with approximately 2,000 tons produced in Burma, 350 tons in Laos and 50 tons in Thailand. In 1991/92, Burma's share had risen to a staggering 2,350 tons.[1]

Until a few years ago, nearly all laboratories where raw opium was refined into high value, No. 4 heroin were located in the south along the Burma's border with Thailand-the redoubt of Chang Chi-fu, alias Khun Sa, for many years the most powerful drug lord in the Golden Triangle. Lately, however, he has lost ground to a new generation of more influential and better-connected heroin barons in the northern Kokang State, an area adjacent to the Chinese province of Yunnan, where a string of new refineries have been established, closer to the vast poppy growing areas in the northeastern corner of Burma's Shan State, and conveniently located near the rapidly growing Chinese illicit drug market and major smuggling routes to the outside world.

For over forty years, the Golden Triangle has been a cockpit of anarchy, a virtually unadministered region, where a motley crew of self-made militarycommanders, mercenaries, communist and nationalist insurgents, contraband traders, and assorted outlaws have ruled with impunity. This chaos partly explains why most of Southeast Asia's opium is harvested in this area; its traditional anarchy is a direct outcome of this ongoing civil strife and consequent inability of successive Burmese governments—

dominated in recent decades by the country's powerful military—to find a solution which could restore stability.

The nexus of opium, war and politics is even more apparent in the development of this new heroin empire in Kokang and adjacent areas. It has emerged in the wake of two recent, important political events in Burma: the crushing of a popular uprising against military rule in 1988, and a mutiny the following year among the rank and file of the country's most powerful insurgent army, the Communist Party of Burma (CPB).

In 1988, central Burma exploded in political ferment. Millions of people in virtually every town and city throughout the country took to the streets to vent a quarter century of pent up frustrations against a repressive regime that had done nothing to improve the living standard of the population.[2] Until the military moved in and reasserted power on September 18th, daily mass demonstrations shook the urban areas. Hundreds of people were gunned down as the army fired indiscriminately on the demonstrations in the capital Rangoon and elsewhere. The commander-in-chief of the Burma Army, General Saw Maung, set up a new junta called the State Law and Order Restoration Council (SLORC).

In the wake of the massacre and the formation of the SLORC, nearly 8,000 pro-democracy activists fled to the border areas near Thailand, where a number of ethnic insurgencies, not involved in the narcotics trade, were active. But these jungle-based rebel groups—Karen, Mon, Karenni and Pa-O–were unable to provide the urban, Burman dissidents with more than a handful of weapons.

None of the ethnic rebel groups along the Thai border could match the strength of the CPB whose 10-15,000 troops then controlled a 20,000 square kilometer area along the Sino-Burmese border. The CPB also had vast quantities of arms and ammunition, which were supplied to them by the Chinese during the decade 1968-1978 when it was Beijing's policy to support communist insurrections in Southeast Asia.

Despite government claims of a "communist conspiracy," there was no linkage between the anti-totalitarian, pro-democracy movement in central Burma and orthodox, Maoist CPB.[3] Given the strong desire for revenge after the bloody crack-down in September 1988, however, it is plausible to assume that the vengeful urban dissidents would have accepted arms from any source. Thus, it became imperative for the new junta to neutralize as many of the border insurgencies as possible, especially the CPB.

A situation which was potentially even more dangerous for the SLORC arose in March-April 1989 when the hill tribe rank-and-file of the CPB, led by their military commanders representing various minorities in its northeastern base area, mutinied against the party's ageing, largely Burman leadership. The old leaders and their families, some 300 people, escaped to China while the former CPB army soon split along ethnic lines and formed four different, regional resistance armies.[4] A link between them and the ethnic minority groups along the Thai border, as well as the urban dissidents who had taken refuge there, became a possibility that worried the SLORC.

But it was not, as initially expected, Burma's ethnic insurgents who benefited from the CPB mutiny. Instead, for obvious political reasons, military authorities in Rangoon soon made contact with the rebellious, former CPB forces in the northeast. Within weeks of the uprising, the chief of Burma's military intelligence, Major-General Khin Nyunt, travelled to the border areas to meet personally with some of new leaders. Step by step, marriages of convenience were negotiated between Burma's military and various rebel mutineers. In exchange for promises not to attack government forces and sever ties to other rebel groups, the mutineers were granted unofficial permission to engage in any kind of business.[5] Rangoon also promised to launch a "border development program" in the former CPB areas.

Ironically, at a time when almost the entire population of Burma had turned against the regime, thousands of former insurgents thus rallied to the ruling military. The consequences for the country, as well as the outside world, were, however, disastrous. The former CPB territory encompassed the most important opium growing areas in the Golden Triangle: the Möng Ko area between the Salween river and the legendary Burma Road from Lashio to the Chinese frontier, Kokang east of the Salween river, the Wa Hills and the mountains north of Kengtung in eastern Shan State.

Until these agreements were reached, the few refineries along the Sino-Burmese border were capable of producing only *pitzu* or *huang pi,* a brownish-yellow powder that can be converted into pure, No. 4 heroin if acetic anhydride and other chemicals are added. The treaty with the Burmese military, however, made it possible to transport chemicals openly by truck, mostly from India, thereby transforming the northern city of Mandalay into the hub of Burma's booming drug traffic. Within a year, 23

heroin refineries had been established in the Möng Ko-Kokang area alone. Heroin was transported more or less openly in convoys of trucks along government-held roads, flooding the domestic market as well as the neighboring countries of China and India.[6]

A situation, unprecedented even in the wild and lawless Golden Triangle, has emerged. Although the fighting in this area has attracted some attention from the outside world, the subject has been given a superficial treatment focusing on sensational aspects such as "the Opium kings" of the Golden Triangle, international police efforts to intercept drug-runners, and the ostensible " war on drugs." But a permanent solution to the problem will remain elusive until policy makers achieve an understanding of the roots and nature of the conflict which lie within the intertwined issues of politics and ethnicity in post-independence Burma.

The Panglong Agreement and Independence

The present anarchy in Burma's northeast is a direct result of centuries of mutual distrust between its various highland minorities and the Burman majority which occupies the country's central plains. The main ethnic group in the northeastern hills, the Shan, are closely related to the Thais and the Laotians. The word "Shan" is actually a corruption of "Siam" or "Syam" and is the name given to them by the Burmans. The Shans call themselves "Dtai" (sometimes spelled "Tai" and, across the border in southwestern China, "Dai"). By contrast, the Burmans are of Tibeto-Burman stock which is ethnolinguistically distinct.

The Shans began migrating south from China more than a thousand years ago.[7] Arriving in several waves over the centuries, they gradually settled in the valleys on both sides of the Salween river where they established a number of principalities which varied in size and importance. They were never effectively united and the mountains which surrounded each valley principality were inhabited by an abundance of smaller hill peoples: Lahus, Akhas, Lisus, Kachins, Was, Pa-Os, Palaungs and ethnic Chinese. Despite increasing pressure from the more advanced Burmese kingdoms in the central Irrawaddy plain as well as Burmese military presence in some of the principalities, their hereditary chiefs, or *saohpas* (*sawbwa* in Burmese),

managed to retain a large amount of sovereignty. Neither Burma, nor China, was ever able to achieve effective conquest of the fiercely independent Shan princes and their states.[8]

The situation underwent drastic changes in the 19th century when Southeast Asia became an arena of competition between the two main colonial powers, the French and British. Burma was conquered in stages by the British in the three Anglo-Burmese wars (1824-1826, 1852 and 1884-1885), and made a province of British India. Meanwhile, the French had extended their sphere of influence over Laos in the east. In between the two colonial spheres lay the rugged Shan hill country with its principalities and local rulers. Sir Charles Crosswaithe, British Chief Commissioner of Burma in 1887-90, described the contested area in this manner:

> Looking at the character of the country lying between the Salween and the Mekong, it was certain to be the refuge for all the discontent and outlawry of Burma. Unless it was ruled by a government not only loyal and friendly to us, but thoroughly strong and efficient, this region would become a base for the operations of every brigand leader or pretender where they might muster their followers and hatch their plots . . . To those responsible for the peace in Burma, such a prospect was not pleasant.[9]

To avoid the emergence of an uncontrollable buffer zone between the two colonial powers of the time, the British extended their Burmese conquest to the Shan States, which were "pacified" between 1885 and 1890. While Burma proper was a colony, the Shan States were made protectorates. The British recognized the authority of the Shan *saohpas* who were responsible for administration and law enforcement in their respective states. Thus, they were allowed to retain their own police forces, administrative officers, magistrates and judges.

In 1922, the British created the Federated Shan States and for the first time the Shan region achieved a governing body common to all the principalities. This common Council comprised some 30 ruling princes and the British Governor in Rangoon. The Council dealt with such common concerns as education, health, public works and construction. The *saohpas* were left more or less alone in political matters and the British presence was

confined to a Chief Commissioner in the Shan States capital of Taunggyi and a few political officers in the more important states.[10]

On the other hand, very little was done to exploit the rich natural resources of the Shan States and to uplift the area economically. The major preoccupation of the British in Burma was to develop the Burmese lowlands on the Irrawaddy plain into a granary and rice exporter for India. The colonial epoch brought peace and stability to the Shan States for the first time in centuries. But it was also a period of economic and political stagnation. The region's separate administrative status — and ethnic differences — insulated the Shan States from the pre-war Burmese independence movement that swept the central plains.

This sleepy and stagnant *pax Britannica* came to an abrupt end when the Japanese overran Burma in 1942. Fierce battles were fought in the Shan hills between the Japanese Imperial Army and Nationalist Chinese (Kuomintang) units, invited in by the Allies from Chiang Kai-shek's base in nearby Yunnan Province. After successive Allied and Japanese bombing campaigns, the Shan towns and the countryside declined into state of chaos and devastation.

After granting Burma nominal "independence" on September 25, 1943, the Japanese ceded all the Shan States to this new client state— except Kengtung and Möng Pan which were transferred to Thailand. By 1944, branches of the East Asiatic Youth League, and other nationalist groupings with followers hitherto only in central Burma, were established in the Shan States. The new policy of linking the frontier areas with Burma proper resulted in some significant political changes. Thus, it is from this period that we can detect a political awakening of the various peoples of the Shan States.[11]

When British rule was restored after the war, the Burmese nationalists continued their struggle for independence. Although more politicized than before, the frontier minorities nevertheless developed a movement that differed considerably from main-stream Burmese politics. In November 1946, the leaders of the Shans, Kachins and Chins minorities initiated a conference at Panglong, a small market town north of Loi-lem in central Shan States. This first Panglong conference decided on a common plan for the reconstruction of the war-devastated frontier areas. The attendants also set up "the Supreme Council of the United Hill Peoples" to safeguard their

interests, and elected Sao Shwe Thaike, the *saohpa* of Yawnghwe state, as the group's first president.

The decision to join Burma and ask for independence from Britain was taken at the second Panglong conference in February 1947. The leader of the Burman nationalists, General Aung San, and the leaders of several frontier peoples signed the historic Panglong Agreement, a key document in post-war relations between the frontier peoples and the central authorities in Rangoon.[12] In these negotiations, the Shan *saohpas* asked for, and were granted, the right to secede from the Union after a ten-year period of independence (i.e. in 1958), should they be dissatisfied with the new federation. This right was also ensured under the first Burmese constitution.[13]

The Panglong Agreement, and the Frontier Areas Committee of Enquiry which was set up by the British in 1947 to ascertain the views of the frontier peoples regarding Burma's independence, indicated to the Burman leaders that the Shan *saohpas* and other frontier chiefs expected to retain internal autonomy in their traditional areas. The day when the Panglong Agreement was signed, February 12th, has since been celebrated officially in Burma as Union Day, a major national holiday.

However, several other minority peoples did not participate in this movement, notably the Karens and some smaller tribes in southeastern Burma who were more inclined towards separation from the proposed Union. Burma's delicate ethnic balance had been clearly demonstrated in the 1931 Census Report which listed 126 native languages and dialects in Burma, defined 67.3 percent of the native population as Burmans, and identified the remainder as national minorities, most of whom lived in the frontier areas. In addition, there were several hundred thousand Indians and Chinese in Burma, living mainly in the towns where they were engaged in trade and commerce.[14]

But even so, everything appeared set for the declaration of Burma's independence-set for the auspicious hour in the night on January 4, 1948–when an event occurred that was as unexpected as it was tragic. On July 19, 1947, Burma was shocked by the news that the charismatic nationalist Aung San and several other leaders had been assassinated, among them Sao Sam Htun, the *saohpa* of Möng Pawn.

When independence finally came in 1948, Burma was a country that had suffered some of the severest air-strikes in Asia during the war; the

countryside was ravaged; and the infrastructure almost destroyed. The inner circle of competent leaders had been murdered even before independence had been proclaimed. The new leader and independent Burma's first Prime Minister, U Nu, was a talented, intellectual politician—but hardly the strong statesman Burma needed during its first difficult years of independence. Army units mutinied; the Karen, the Karenni and the Mon ethnic minorities took up arms; and the CPB went underground to organize guerilla forces. The state of affairs in Burma when it achieved its independence could hardly have been worse.

The Kuomintang Invasion

In an attempt to forge national unity in these difficult circumstances, the Shan leader, Sao Shwe Thaike, was given the ceremonial post as first President of Burma. But events along the border between China and the Shan States thwarted attempts to placate a minority opposition. In late 1949, Kuomintang (KMT) forces from southern Yunnan, unable to withstand the attack of the victorious Chinese Communist army, crossed the international frontier into Shan territory. Led by the wartime hero General Li Mi, they invaded Kengtung State and sought refuge in the Shan hills. In January 1950, remnants of the 93rd Division, the 26th Division and General Li Mi's 8th Army arrived in the southern Shan States and ensconced themselves in the hilly region surrounding Möng Hsat near the Thai-Burmese border. They recruited soldiers from these border areas, mostly hill tribesmen; began military training; and began collecting arms, ammunition, and provisions from sources outside Burma.

The number of KMT soldiers swelled from about 1,700 in early 1950 to 4,000 by April 1951. The tiny Möng Hsat airstrip, built during the war, was reconstructed into a formidable air base capable of receiving C-46 and C-47 transport planes, which brought in arms, ammunition, and medical supplies. This dramatic build-up was a joint venture between the Taiwan government and the U.S. security authorities to reconquer the Chinese mainland. The Kengtung-based "Secret KMT Army" tried on no less than seven occasions between 1950 to 1952 to invade Yunnan but was repeatedly driven back

into the Shan states; it never managed to penetrate beyond the small border town of Meng Hai in Xishuangbanna (Sipsongpanna).[15]

Although dispatched to the Shan states to rid the country of its uninvited guests, Burma's Army was unsuccessful. U Nu then raised the question in the United Nations General Assembly which, on April 22, 1953, adopted a resolution demanding that the KMT lay down their arms and leave the country. Thousands of KMT soldiers were evacuated to Taiwan by special aircraft with pomp and circumstance—at the same time as reinforcements were flown to Möng Hsat by nightly flights. Thus, the number of KMT soldiers in the Shan states increased to 12,000 by the end of 1953. The Burma Army failed to defeat the KMT, but managed to contain their units in the mountainous country between the Salween River and the Chinese frontier — Kokang and the Wa Hills — traditionally the best opium growing areas in Southeast Asia.[16]

The KMT had become involved in the Shan opium trade earlier on, but they were now able to trade more directly. They enlisted the support of Olive Yang, the leader of the ethnic Chinese community in Kokang and the commander of one of the first private armies in the Shan States. Encouraging this kind of border bands gave the KMT trading partners and armed support. By adding to the general instability of the frontier areas, they kept the Burma Army occupied and split up on several different fronts. Some years later, a KMT general, Tuan Shi-wen, explained the Nationalist Chinese involvement in the Shan opium trade: "We have to continue to fight the evil of communism and to fight you must have an army, and an army must have guns, and to buy guns you must have money. In these mountains the only money is opium."[17]

Before World War II, opium was legal but restricted to the wild and mountainous border areas east of the Salween (that is, mainly in Kokang and the Wa Hills). Taxes on opium gave some income to the *saohpas,* but it was tightly controlled by local and British authorities under the 1910 Opium Act and the 1938 Opium Rules.[18] Opium was a state monopoly and licenses were allotted by the colonial authorities to selected vendors at a fixed fee. At each shop, a Resident Excise Officer was stationed to supervise the sales and see to the disposal of surplus opium every evening. But even so, an early British government report stated that opium revenues "are growing steadily but do not yet cover expenditure."[19] Significantly, the

main prewar anthropological study of the Shans has only one reference to opium: "No religious Shan takes opium, so it is not openly used as a medicine, but native doctors use it occasionally mixed with herbs. "[20]

The KMT invasion changed all that overnight. General Li Mi persuaded the fanners into growing opium and introduced a hefty opium tax, which forced the farmers to grow even more in order to make ends meet. The annual production increased from a mere 30 tons at the time of independence to 600 tons in the mid-1950s. In its reports to the UN, the Burmese Government alleged that much of the opium was air-lifted from Möng Hsat to Taiwan by U.S. planes.[21] However, opium was not an international problem at that time and, apart from the Burmese authorities, few paid much attention to the CIA's assistance to the KMT's opium trade. Ensuring Li Mi's loyalty to the "secret war" against China was a far more important consideration for the U.S. security planners.

The opium that was not flown to Taiwan or Bangkok was carried by mule trains to the Thai border and there sold to different buyers. The most prominent of them was the then Commander of the Thai Police, General Phao Sriyanonda, who also had close ties with the CIA.[22]

The KMT was conducting a regime of terror from its strongholds in the Shan hills. According to Elaine T. Lewis, an American missionary who was working in Kengtung state in the 1950s: "For many years, there have been large numbers of Chinese Nationalist troops in the area demanding food and money from the people. The areas in which these troops operate are getting poorer and poorer and some villagers are finding it necessary to flee."[23]

On the other hand, reports were reaching Rangoon that the government forces had been no better in their treatment of the village people in the Shan countryside. Indeed, the years up to 1955 had seen a great influx of Burmese troops into the Shan states. Hardly surprising, frictions arose between the local population and the government's soldiers.

Nationalism and Revolt in the North

The KMT invasion, combined with the government's inability to repel the intruders, meant that the Shans became squeezed between two forces, both

of which were perceived as foreign. The result was a strong, Shan nationalist movement. Shan students clubs and literary societies sprang up among Shan students in Rangoon and elsewhere. They held cultural seminars and published books, pamphlets and magazines; young volunteer teachers also took to the countryside in Shan State where anti-Burman sentiments were growing among the local people as a result of the war. But the movement sought a peaceful solution by legal means within the framework of the federal, parliamentary system, which the young Shan nationalists thought would preserve and safeguard the autonomy and the identity of the Shan States.[24]

The central government in Rangoon nevertheless viewed this development with uneasiness, especially since the Shans' constitutional right to secede from the Union would come into effect in 1958. The civilian government was open to a dialogue. After all, the Upper House of the Burmese parliament was reserved for nominated representatives from the country's many national groups. In line with this democratic process, in 1952 Shan *saohpas* had announced their intention to surrender whatever was left of their powers to a new, central state government in Taunggyi, and by 1957 this was accomplished.[25] Thus, "the Shan States" became "Shan State" and in 1959, the *saohpas* formally renounced all their powers at a grand ceremony held at Taunggyi attended by the princes, army chief General Ne Win and other top echelons of the Burma Army.

It was also becoming increasingly unclear who actually was in charge in Rangoon. As a direct result of the insurgency and the KMT invasion, the strength and influence of the country's armed forces were expanding, sometimes even beyond the writ of the civilian authorities. To make matters even worse, a political crisis had occurred in 1958, and the country's main political party, the Anti-Fascist People's Freedom League (AFPFL), had split up into two hostile factions: the "Clean" AFPFL headed by prime minister U Nu; and the "Stable" AFPFL led by deputy prime ministers Ba Swe and Kyaw Nyein. On September 26, 1958, the mounting crisis had forced U Nu to resign and give way to a Caretaker Government, led by army chief Ne Win.[26] By claiming credit for the *saohpas'* subsequent surrender of their powers in 1959, the military became even more powerful, although the ceremony in Taunggyi did little more than finalize a process that had actually begun several years before.

Shan sources always emphasize that the *saohopas* did not surrender their powers to the central government in Rangoon, but to the elected state government in Taunggyi.[27] They also seem to resent not only the fact that the military, wrongfully in their view, was drawing political capital on the event to undermine the power of the state government, which still was in civilian hands. For instance, the military tried to suppress the fledgling Shan movement by using its troops and, above all, its dreaded intelligence service. The outcome was counter-productive: groups of young Shans moved into the jungle where they organized guerrilla units. By 1959, bands of Shan guerrillas were ambushing Burma Army camps and raiding isolated outposts in search of arms. The rag-tag guerrillas even managed to capture the garrison town of Tang-yan and hold it for a few days.

In northernmost Kachin State, meanwhile, another ethnic insurrection broke out at about the same time. U Nu returned to power in April 1960 following a general election, but insensitivity now on the part of the civilian, central government caused further discontent in the north. According to a border agreement between Rangoon and Beijing, three Kachin villages had been ceded to China in exchange for Burmese sovereignty over the so-called Namwan Assigned Tract, a border area between Bhamo in Kachin State and Namkham in Shan State, which the British had leased from China in 1897. One of U Nu's first decisions when he resumed office was also to make Buddhism the state religion of Burma – a clear challenge to the predominantly Christian Kachins.[28]

On February 5, 1961, disgruntled Kachin students and war veterans (who had fought with the Allies against the Japanese during World War II) set up the Kachin Independence Army (KIA). Led by three brothers, Zau Seng, Zau Tu and Zau Dan, the rebels were joined by Kachin university students from Rangoon and Mandalay. Zau Tu provided the basic funds for the uprising by robbing the treasury in Lashio of 90,000 Kyats and, within less than a year, large tracts of Kachin State as well as Kachin-inhabited areas of northeastern Shan State, were in the hands of the KIA.

Taken aback by the sudden outburst of violence, U Nu's government convened the Nationalities' Seminar in early 1962 to discuss the future status of the frontier areas (or the Constituent States, as they now were called) and, if necessary, loosen the federal structure of the constitution. All the government ministers, Members of Parliament, heads of the Constituent States and their State Ministers attended this seminar.[29]

On March 2nd, however, before any decision had been taken, General Ne Win staged a *coup d'etat* and detained ail those attending the meeting. The Shan leader Sao Shwe Thaike was among those arrested; he died in jail eight months later, presumed extrajudicially executed.[30] Another prominent Shan leader, Sao Kya Seng, the *saohpa* of Hsipaw, also disappeared shortly after the coup under circumstances that have never been fully explained.[31]

After the coup, the 1947 federal constitution was abrogated and the right to secede from the Union was declared null and void. Rebellions flared anew in Shan and Kachin states. In 1964, three rebel groups in Shan State– the Shan National United Front, the Shan State Independence Army, and the Kokang Revolutionary Force, which was dominated by ethnic Chinese– merged into the Shan State Army (SSA). Its first leader was Sao Shwe Thaike's widow, Sao Nang Hearn Kham of Yawnghwe, who had managed to escape to Thailand. She was also elected Chairman of the Shan State War Council.

War, Opium Politics and the Ka Kwe Ye (KKY)

The most pressing problem the new insurgent armies in Burma's northeastern frontier areas had to face was financial backing for their military struggle against Burma's military regime. Funds had to be raised from the resources of their own respective areas. The Kachin rebels quickly gained control over the jade mining district around Hpakan in western Kachin State. In Shan State, however, there was no similar source of income for the insurgents. But one commodity was already well established at the beginning of the rebellion: opium.[32]

The KMT invasion and the devastation of the countryside had severely damaged the rice-based economy of Shan State. Farmers had to become porters for the government troops during their offensives against the insurgents. Many of them left their paddy fields and took to the hills where the opium poppy was the only viable cash crop, a trend reinforced by the steady rise in demand for the drug. As one analysis explained, the economic policies of the new military government also contributed to a rapid rise in opium production during the 1960s:

> The fast rolling opium bandwagon was further oiled by the introduction of the Burmese Way to Socialism following General Ne Win's coup in 1962. All businesses and banks . . . were nationalized . . . in such an economic vacuum there arose a black market economy which for opium traffickers was a boon . . . opium was bought by them at very low prices from ragged cultivators, transported in armed caravans to the border and refined into heroin. And on the return trip to get more opium, Thai goods and commodities were taken up and sold in Shan State . . . rather than creating socialism, the Burmese Way to Socialism delivered the economy into the hands of the opium traffickers. As such, opium became the only viable crop and medium of exchange. Thus, cultivation of opium, limited to the east of the Salween prior to 1963, not only

spread all over Shan State, but to Kachin, Karenni and Chin states as well.[33]

The situation in the frontier areas deteriorated rapidly. Almost immediately after the coup, Beijing, long wary of the ambitious and sometimes unpredictable general in Rangoon, decided to extend open support to its Burmese sister party. On August 1, 1962, Beijing-based CPB exiles, who until then had been staying quietly in the Chinese capital, published a document entitled *Some Facts about Ne Win's Military Government* –the first properly printed CPB publication in years. Written in English "for information abroad," it condemned the military takeover, lambasting the army for massacring students at Rangoon University on July 7, 1962, in the wake of the coup. The document also urged the new regime "to guarantee the legal rights of the activities of the Communist Party of Burma, other parties and mass organizations". Intriguingly, it also suggested that peace talks be held between the new government and the various rebel groups.

About a year later, Ne Win's regime finally called for peace talks. From July through November 1963, the CPB, the Shans, the Karens, Mons, Kachins and some other smaller rebel armies attended the negotiations in Rangoon with guarantees of safe passage to and from the parley regardless of the outcome. For the CPB, the peace talks provided a rare opportunity to re-establish direct contact between a handful of expatriates who had gone to China in the early 1950s and the poorly armed bands of its once powerful "People's Army" who were still holding out in the Pegu Yoma mountain range of central Burma where they had retreated in the early 1950s after the government's forces had crushed the communist insurgency

Twenty-nine CPB veterans returned to Rangoon from Beijing, purportedly to participate in the peace talks. Some did not take part in the talks officially, and instead used the opportunity to visit party headquarters in the Pegu Yoma - bringing with them wireless transmitters and other aid from China.

Two of the "Beijing returnees" went back to China after the peace talks broke down in November, but twenty-seven of them stayed in Burma where they assumed *de facto* leadership of the party at home. In the later half of the 1960s, the "Beijing Returnees", inspired by the Cultural Revolution in China and supported by its own young Red Guards staged grisly mass trials

in the Pegu Yoma. Many party veterans, particularly the intellectuals, were publicly humiliated and executed.

Meanwhile, preparations were underway in China to launch an all-out thrust into the northeastern hills of Shan State and there establish a new base area along the Sino-Burmese frontier, which the CPB hoped to link with the old areas in central Burma. CPB cadres began touring the border areas from the Yunnan side in the mid-1960s to survey possible infiltration routes. Other minority groups, among the Kachins and Shans especially, were contacted with promises of arms and ammunition if they joined forces with the CPB.[34]

The party decided that its first attack should be launched on Möng Ko in the northeasternmost corner of Shan State, right across the border from Man Hai in Yunnan. An unexpected outbreak of anti-Chinese riots in Rangoon in 1967 provided the catalyst for the already planned China-sponsored CPB thrust into Shan State. Early in the morning of New Year's Day 1968, the CPB made its move. The Möng Ko garrison was overrun in 30 minutes and its commander lay dead. A new era of Burmese insurgency had begun.

During the decade that followed, the CPB received massive Chinese support. Everything from anti-aircraft guns and recoilless rifles to sewing needles and cooking oil came across the border from China. Even Chinese army personnel and individual volunteers, mostly young Red Guards from China, came to fight alongside the CPB. Radio Beijing denounced Ne Win as a "fascist." Indeed, a few years before he had already shown his displeasure by closing down the Chinese consulates in Mandalay and Lashio.

Within a few years, the communists had taken control over a 20,000 square kilometer area along the Chinese border, stretching from Panghsai (or Kyuhkok) where the Burma Road crosses into Wanting in China, down to the Mekong river and the border with Laos. A new general headquarters was established at Panghsang across the Nam Hka river, which forms the border between China and Burma in the Wa Hills. When the CPB took over Panghsang in 1973, the former sleepy border village developed rapidly into a formidable military base with army barracks, training facilities, hospitals, schools, a clandestine broadcasting station and cinemas featuring films about the Chinese civil war. Overlooking the Nam Hka border river was the secluded residence of party chairman Thakin Ba Thein Tin and his close associates. Using a bridge built by Chinese engineers across the river to

China, merchants and authorized traders hauled goods into the CPB's area– arms and ammunition, uniforms, military maps, radio equipment, cars, petrol, and even rice, other foodstuff, cooking oil and kitchen utensils.

While there is no reason to doubt the ideological commitment of the Chinese, it is also plausible to assume that the decision to give all-out support to the CPB was not motivated solely by a desire to export "proletarian revolution." Hardly by coincidence, the CPB's first targets when they streamed across the border to Burma in 1968 were well-known bases for the KMT and Taiwan intelligence: Hwe Möng Long, Möng Ko, Möng Paw and Hpaunghsaing west of the Salween, and Lungthangchai in Kokang proper. For the Chinese communist's, the CPB's base area along the border provided them with a convenient buffer to prevent further KMT penetration. The KMT remnants straggled south to the Thai border where they still remain.

The fighting in the northeast became so heavy that the Burma Army realized that it could not defeat the CPB in the Shan State. Instead, the military turned its attention to the considerably weaker CPB areas in central Burma, to prevent a link-up between the two forces. Communist as well as Karen insurgents were forced to evacuate the Irrawaddy Delta in 1970-1971 and the Pinlebu area north of Mandalay was cleared of CPB influence by 1971-1972. In early 1975, the Burma Army launched a major operation against the Pegu Yoma, still officially the CPB's headquarters, which fell in March. The morale of the Burma Army was boosted; the CPB had been isolated in the northeast. The new Chinese weapons only reached one old base area, which was located around Kyawkku in western Shan State, still outside Burma proper. But "the new CPB" with more than 20,000 troops at that time was nevertheless ten times as strong as "the old Party" and much better equipped.

Like other ethnic insurgents, however, the rebel Karen National Union (KNU) in the south received no outside support, but benefited in their own way from the new order in Rangoon. Following the collapse of Burma's own production of consumer goods and strangled imports in the wake of the introduction of "the Burmese Way to Socialism" after the coup, enterprising black marketeers and smugglers soon made up for the shortcomings. Most of the goods were brought in from Thailand and Karen units along the Thai border set up a series of "toll gates" through which the contraband was funnelled. The first gate was located at Palu south of the Thai border town

of Mae Sot in 1964 and was followed about a year later by another at Wangkha north of Mae Sot.

The Karens established links with Thai merchants and military authorities, whose interests often were intertwined. After a few years, at Wangkha alone, the KNU collected daily tax revenues of 100,000 Thai Baht– at the rate of 5-10 percent of incoming and outgoing merchandise. In other words, between 1-2 million Baht was in circulation every day only at Wangkha. Along the entire 2,100 kilometer Thai-Burmese border, dozens of similar gates were set up, by the Karen, the Mon, the Karenni and the Shan rebels. Consumer goods, textiles, machinery, spare parts for vehicles and medicine entered Burma from Thailand and teak, minerals, jade, precious stones and opium moved in the opposite direction.

The total value of these unofficial transactions has never been thoroughly researched, but it is fair to assume that Thailand owes much of its rapid economic growth and development to the thriving cross-border trade with Burma. The Burmese government had to turn a blind eye to these smuggling activities along the border, given the choice of contraband or no goods at all, which would result in political and social unrest.

For the Karen rebels, it meant that they could use the tax they collected on the trade to buy new U.S.-made arms and ammunition and other supplies on what usually is euphemistically referred to as "the Thai black market." The ragtag Karen guerrillas started to look almost like a regular army with smart uniforms, steel helmets and officers' insignia. But despite their increased financial strength and the new weaponry, the KNU also suffered the same fate as the CPB. The Burma Army pushed the Karen rebels out of their old base areas in the Irrawaddy Delta and the Pegu Yoma in the late 1960s and early 1970s. The Karen rebels' reduced area along the Thai border was considerably smaller than the CPB's territory, measuring about 5-6,000 square kilometers and forming a 400 kilometer, narrow border strip from the areas opposite Mae Sariang in Thailand to the north and the Mawdaung Pass near Prachuap Khiri Khan in the south.

Rangoon soon became incapable of overcoming the innumerable rebel armies, especially in the chaotic Shan State. In order to fight the insurgents, in 1963 Ne Win authorized the setting up of the *Ka Kwe Ye* (KKY) home guards, a local militia which was given the right to use all government controlled roads and towns in Shan State for opium smuggling in exchange for fighting the rebels. By trading in opium, Ne Win hoped the KKY militia

would be self-supporting. Indeed, there was hardly any money in the central coffer in Rangoon to support a sustained counter-insurgency campaign at this stage.[35]

But Rangoon was also trying to undermine the financial basis of the rebels in Shan State who depended on opium tax to maintain their troops. As the KKY commanders gradually expanded their hold over the opium trade, many of them became rich. The most famous of these were Lo Hsing-han, the chief of Kokang KKY, and Chang Chi-fu alias Khun Sa, who headed Loi Maw KKY. But there were not the only ones: Bo Lai Oo from the Wa Hills; Win Min alias Wu Chung-tin of Loi Sae; Mahasang, U Sein, Chin Chao Wu and Cho Huang Chai of Vingngun KKY and numerous others developed their own fiefdoms. They built up their own private armies, purchased all military equipment available on the black market in Thailand and Laos, including M-16 and Browning automatic rifles, M-79 grenade launchers and 57mm recoilless rifles.[36]

Among all these warlords, Lo Hsing-han became famous in 1972 when the senior U.S. narcotics adviser Nelson Gross proclaimed him "kingpin of the heroin traffic in Southeast Asia. . . . Lo Hsing-han is an international bandit and responsible for a growing proportion of Asia's and America's drug-caused miseries. "[37] Statements like these were surprising news in Shan State. But the late 1960s had not only seen the emergence of the KKY home guards; there had also been a dramatic change in U.S. narcotics policy. By directly and indirectly supporting various players in the Golden Triangle opium trade, notably the KMT, the U.S. had made a grave mistake. Heroin had become extremely popular and a large clientele was developing among the American soldiers in Vietnam. When the GIs gradually returned home, the narcotics problem went from Saigon's army barracks to the middle-class suburbs in the United States. The public became alarmed and the authorities started taking measures, aimed at solving the drug problem.

Simultaneously, Washington built up its powerful Drug Enforcement Administration (DEA), and millions of dollars were funnelled into the hill-tribe economy, mainly in the Thai sector, to provide the opium farmers with substitute crops. The poppy fields and the so-called "drag kingpins" became the most important targets of American drug enforcement in Southeast Asia. In the 1970s, the U.S. also pledged support to "anti-narcotics efforts" in Burma and began supporting the regime in Rangoon.

Nelson Gross's statement about Lo Hsing-han was dismissed by most astute observers as a media-directed exaggeration. At the same time as the drug authorities were trying to focus the world's attention on one single trafficker of moderate status and importance, two relatively unknown opium merchants in Kengtung—Shi Kya Chui and Yang Sang a.k.a. Yang Shih-li—were, in fact, trading in much larger quantities than the "kingpin" himself. From his base in Lashio in northern Shan State, Lo Hsing-han was only able to organize three to four convoys a year carrying opium, jade and other contraband down to the Thai border at Tachilek, the apex of the Golden Triangle. Shi Kya Chui and Yang Shih-li, on the other hand, were more conveniently based at Kengtung, only 170 kilometers north of Tachilek, making it possible for them to make up to 10 trips a year.[38]

But Lo Hsing-han was easy to pin-point since he had a large and powerful army, needed for convoying opium from his Lashio across rebel-held territory down to Thailand. Moreover, he matched the classic stereotype of a gun-brandishing opium warlord. Born in 1934 in a small Kokang village, as a teenager Lo Hsing-han had served with the private army of the local rulers of the area, the Yang family. When the military took over in Rangoon in 1962, they sent their troops to smash the Yang's army, which had teemed up with the SSA. The then head of the family and the commander of the local Kokang Revolutionary Force, Jimmy Yang, fled with a few hundred men down to the Thai border and established contacts with the KMT; while two of his commanders, Pheung Kya-shin and Pheung Kya-fu, escaped across the border to Yunnan. When the CPB occupied the Kokang area in early 1968, shortly after the thrust into Möng Ko, these two brothers returned from China as military leaders of the communist unit that occupied Kokang.

Lo Hsing-han, however, stayed behind in Kokang with his own unit of Yang's former army. Burma's new ruler, Ne Win, needed a puppet in Kokang and the authorities had just seized a large consignment of Lo Hsing-han's opium. Burma's military intelligence service offered to return the opium if Lo Hsing-han and his men converted their force into a KKY home guard unit, which he did.[39] Lo Hsing-han fought alongside government troops against the Pheungs and the communists in his native Kokang. In the course of these battles, he established a close relationship with the Burma Army's Lashio-based Northeastern Commander in the early 1970s, Colonel Aye Ko, who was later to become a prominent leader of the

ruling Burma Socialist Program Party. In return, grateful government troops helped Lo Hsing-han send his raw opium to the heroin refineries which now were being established along the Thai border and in Laos.[40]

In this entangled imbroglio, it soon became impossible to say where drug-running ended, and insurgency or counter-insurgency began. To add to the confusion, various intelligence agencies, Asian as well as Western, had their stakes in the opium trade, either as pure money-making operations, or because many of the drug traders proved to be valuable intelligence assets. By the 1960s, the emerging opium hierarchy could be described in this way:

The farmers who grew the poppies earned a pittance for months of laborious work. They were mostly hill-tribes, Kachin, Lahu, Wa, Lisu, Palaung, Akha and others, but also poor, ethnic Chinese peasants from areas such as Kokang and the hills east of Kutkai and Hsenwi in northeastern Shan State. Their subsistence level of living was not improved by the fact that they had to pay "taxes" to various rebel groups claiming their areas, and bribes to various government officials who were supposed to enforce the law. In the 1970s, an estimated 40 percent of all poppy fields in Shan State were located in Kokang and Hsenwi states, 15 percent in the Wa Hills, nearly 15 percent in Möng Yai state, 10 percent in Kengtung, and the remaining 20 percent in Möng Pan, Möng Hsu, Möng Nawng, Möng Nai, and Hsi-Hseng in south and central Shan State.[41] Even the ideologically strongly motivated CPB collected a 20 percent tax on opium grown in its area from the very beginning.[42]

The rebels who operated in the poppy growing areas collected tax from the farmers. The distribution of poppy fields in Shan State explains why some of the groups were more dependent on opium than others. Jimmy Yang, the leader of the local Kokang army which had broken away from the SSA, controlled vast poppy fields in his native area until the late 1960s. Sao Gnar Kham, the leader of the Kengtung-based Shan National Army (SNA), controlled the hills north of Kengtung and conducted his own convoys both to the Thai border and across the Mekong to Laos. The most politically motivated of the groups, the SSA, was on the other hand never involved to any appreciable extent in the opium business. No more than 1,000 *viss*, or roughly 1.5 tons was grown in the SSA area south of the Hsenwi-Lashio road and north of Kehsi Mansam. This harvest was less than 0.2 percent of all the opium produced in Shan State at that time. The SSA nevertheless levied a 10 percent opium tax on the growers, another 10 percent on the buyers, and an additional tax for traders and caravans passing through their territory.[43] Opium tax paid for the rebels' arms purchases in Thailand and Laos.

The merchants who bought the opium from the farmers and paid tax to the rebels were – and still are – respectable, local businessmen who live quite openly in government-controlled market towns. They sent their agents to the hills to purchase opium, and then used various armed bands to transport the drugs to the refineries along the Thai border or in Laos. The front for a middle-men operation like this could be an ordinary trading house, doubling as a wholesaler of potatoes, fish, pork or consumer goods.

The KKY units were often hired by the merchants to convoy the drugs. Many KKY commanders were also merchants themselves. If Lo Hsing-han or Khun Sa, for instance,

conducted a convoy down to the Thai border, they would be carrying their own opium as well as drugs belonging to other merchants, most of whom did not have their own private armies. The KKY commanders usually carried their opium to the market town of Tachilek, near the border junction between Burma, Laos, and Thailand. There, the opium was exchanged for bars of pure gold, and hence the area got the nickname "the Golden Triangle". At the border, the KKY bought consumer goods which they brought back as return cargo in their lorries and mule trains.

The Burmese government was supposed to enforce the law, which officially prohibited drug trafficking. But lacking the power and the political will to do so, government officials were usually content with receiving "tea money" from private merchants and various KKY commanders. Some of the return cargo brought back by the KKY, especially fancy furniture, was usually given to civilian officials as well as military officers to soften their possible irritation with the trade.[44] Government troops sometimes provided security for the KKY's convoys. They also often cooperated with the KKY in the battlefield, which was the actual purpose of the program. The Burma Army garrison town of Tang-yan, strategically located between Loi Maw, Loi Sae, Loi Tao and other, main opium growing areas in northern Shan State, remained a center for the trade throughout the 1960s and the 1970s, and to some extent even today.

The KMT had not vanished from the scene, although their influence inside Shan State had diminished when it became apparent that they were not going to succeed in reconquering the Chinese mainland – and the CPB juggernaut had deprived them of their former bases along the Sino-Burmese border. The remnants were reorganized into the 3rd and the 5th regiments, commanded by General Lee Wen-huan and General Tuan Shi-wen respectively. They encamped in the south, on the Thai side of the border and reached an understanding with the Thai authorities: they acted as a buffer and unofficial "border police", and sent soldiers to protect road construction in sensitive areas in Thailand where there was communist insurgency. In return, the Thai authorities turned a blind eye to the KMT's smuggling activities along the border.[45]

General Lee established his headquarters at Tam Ngob, northwest of the northern Thai city of Chiang Mai, and General Tuan at Mae Salong further to the north. The 3rd and 5th KMT regiments divided Shan State between them into two spheres of interest, mainly for business purposes. General Lee got the area west of the Salween river and the border from Loi Lang mountain near Fang (the town nearest to Tam Ngob) to the border village of Mae Aw in Thailand's Mae Hong Son province; General Tuan, the area east of the Salween and the border from Tachilek to Fang. They established "tax station" along the border, where they collected "customs duty" on opium convoys reaching Thai territory. Heroin refineries were also established inside their respective border areas.

Inside Shan State, they operated through allies working on their behalf, mostly various KKY units. General Lee also succeeded in forging a pact with Moh Heng alias Kwam Zerng, a one-armed Shan veteran who had broken away from the SSA to set up his own Shan United Revolutionary Army (SURA). This group found sanctuary at Pieng Luang in the Thai border area which was under General Lee's unofficial jurisdiction.[46]

Intelligence agencies from various countries maintained liaison with the KKY, the KMT and some of the Shan rebel groups. For historical reasons, Taiwan agents were especially active, working together with not only the remnants of the KMT but also some of the KKY forces. Since some of these were led by ethnic Chinese from Burma, a relationship was not difficult to establish. Throughout the 1960s and 1970s Taiwan intelligence operatives were posted at Loi Sae

mountain near the garrison town of Tang-yan liaising with the local KKY commander there, Wu Chung-tin, as well as with Lo Hsiag-han.[47] Taiwan links with Khun Sa's Loi Maw KKY were maintained through his chief of staff, Chang Shu-chuan alias Sao Hpalang, a former KMT officer from Manchuria who had retreated to Shan State in the early 1950s.

The CIA first became involved in the Golden Triangle when it, together with Taiwan intelligence agencies, began to support the KMT effort in the early 1950s. Logistic support for the KMT units inside Burma was provided by an obscure Bangkok-based American company named the Sea Supply Corporation, a CIA front organization.[48] When the actual war efforts petered out in the 1960s the KMT together with Taiwan intelligence and the CIA still organized intelligence teams for work in Shan State and cross-border operations into Yunnan in China.[49] The CIA also initiated contacts with the Kengtung-based SNA through its deputy commander, U Ba Thein, whose area of operation included the hills surrounding Möng Yang near the border with Sipsongpanna (Xishuangbanna) in Yunnan. The CIA also initiated contacts between right-wing Shan groups and like-minded people in Laos. Hundreds of Shan insurgents, mainly from the SNA, plus Was and Lahus from some of the smaller KKY forces, were also hired as mercenaries by the CIA to fight the communist Pathet Lao in Laos.[50] Sending such mercenaries was the only way the CIA could bolster the flagging, royalist forces there since according to an agreement signed in Geneva in 1962, the U.S. had promised to recognize Laos' neutrality.

International narcotics syndicates inevitably became involved by supplying chemists to the heroin refineries along the Thai-Burmese border, and by taking care of regional and international distribution of the drugs. The syndicates operated independently, but since most of them were dominated by ethnic Chinese often connected with the so-called Secret Societies or the Triads, links with the KMT and some of the KKY forces were easily established. These crime gangs remain one of the main obstacles to a solution to the conflict in Shan State since it is in their interest to perpetuate the state of anarchy that makes the drug trade possible. Given the vast amounts of money they possess, their power and influence – as well as ability to manipulate local rebel leaders and other chieftains – is also considerable.

The couriers are the perhaps most visible ones since they often get caught and then are exposed by the media. A courier can be any person, hired by the syndicates to carry drugs from one place to another. Death penalties against couriers exist in many countries (Malaysia and China among others) but this does not seem to have any deterrent effect; the amounts of money involved are enormous, the pool of unemployed people from a variety of countries is seemingly inexhaustible, and the risk of getting caught still fairly small.

The addicts, the consumers of the drugs, and their families are without doubt the most pitiful victims of the opium business next to the impoverished farmers who grow the poppies. Although most of the heroin is destined for foreign markets, it is often forgotten that opium smoking is widespread in tribal villages in the Golden Triangle, causing enormous social problems locally. In some opium growing villages in the Golden Triangle, the addiction rate may be as high as 70-80 percent of all male inhabitants.[51]

This vicious circle, and the various players it involved, remained unchanged for most of the 1960s and the early 1970s. The KKY program, however, soon became a political failure from the government's point of

view. Instead of fighting the insurgents, the KKY commanders had to negotiate tax agreements with them since they controlled the countryside and could block the movement of opium convoys down to the Thai border. In 1973, the KKY were disbanded. Lo Hsing-han went underground and briefly teamed up with the SSA. He crossed the border to Thailand in July of the same year – and was arrested. Lo was dispatched to Bangkok in triumph and ceremoniously displayed for the international press and its photographers. Shortly afterwards, he was was extradited to Burma to stand trial, fetched by government officials and flown by a special plane to Rangoon.

The arrest of Lo Hsing-han was hailed internationally as a big victory in the "war on drugs." The DEA praised the Thai and Burmese authorities for the feat, ignoring the fact that Lo Hsing-han had been a government home guard commander throughout most of his career as a drug trafficker. Significantly, when the Burmese later sentenced Lo to death, the charge was not opium trafficking (which he in any case had carried out with the tacit agreement of Burma's military authorities), but "insurrection against the state," a reference to his brief alliance with the SSA.[52]

In fact, the arrest of Lo Hsing-han had no impact on the overall flow of drugs from the Golden Triangle into the world market. His traditional rival Khun Sa of Loi Maw KKY, who had been jailed in 1969 for attempting to contact the Shan resistance, was released in 1974 after his followers had kidnapped two Soviet doctors at the hospital in Taunggyi.[53] With Lo Hsing-han was in jail in Rangoon, the drug trade also needed a new military overlord.

Following a few months of "house arrest" in Mandalay, Khun Sa "escaped" to the Thai border where he built up a new working relationship with both the Thai and the Burmese military authorities. His former Loi Maw KKY now became known as the Shan United Army (SUA). The move presumably was aimed at establishing a smooth relationship with the Thais who are closely related to the Shans. There were some Shans in the SUA, but the bulk of its rank and file were Wa, Lahu and other hill tribes men. Nearly all the officers were ethnic Chinese, either born in Shan State or KMT remnants. Khun Sa himself was of mixed blood: his father was Shan and his mother Chinese from Loi Maw.

Khun Sa established his headquarters inside Thailand at Ban Hin Taek, northwest of the Thai town of Chiang Rai. The village became a bustling

drug-running center where SUA troops camped side-by-side with the Thai Border Patrol Police. The Burma Army did launch a token attack on some of his positions on the other side of the border in February 1980, but generally Khun Sa was left alone as long as he fought against ethnic and communist insurgents inside the Shan State.

The SUA's open presence in Thailand, however, became an embarrassment for the Thais. In January 1982, the Thai military launched a major assault against Ban Hin Taek, driving Khun Sa and his SUA across the border into Shan State. Nevertheless, 18 months later, the SUA's shattered forces were rebuilt and Khun Sa emerged stronger than before. A new headquarters was established at Homöng on the Burmese side of the frontier, opposite Mae Hong Son in northwestern Thailand, and supplies, weapons and ammunition flowed in from south of the borderline.

A new, firmer deal was also reached with the local Burmese authorities. On March 7, 1984, Khun Sa met the then Eastern Commander of the Burma Army, Brigadier-General Aye San, at the garrison town of Möng Ton to finalize the details of a joint-cooperation agreement.[54] Within weeks of that meeting, the SUA overran a number of ethnic insurgent camps in the Mae Hong Son area and a string of assassinations of ethnic rebel leaders based in Thailand followed. This, and the absence of any fighting at all between Khun Sa and the Burma Army, lent credence to the suggestion that the original idea behind the KKY program was never fully abandoned, simply reshaped.

The Communists

China's strategic interests in Burma, meanwhile, underwent a fundamental change when Deng Xiaoping introduced his new "pragmatic" policies in the early 1970s. The old policy of the 1970s, which had been directed towards supporting anti-Rangoon rebels along the two countries' common frontier, gradually gave way to closer economic cooperation. When the Chinese decided to drastically reduce its aid to the CPB in 1979, the party's annual budget totalled Kyats 56 million. An official CPB breakdown shows that 67 percent of this amount came from trade (i.e. taxation of the cross-border trade with China), 25 percent from "the center"

(Chinese aid); 4 percent from "the districts" (house tax on people living in the base area); 1 percent from contributions made by army personnel; and 2 percent from other unspecified sources.[55]

When the Chinese decided that the CPB had to be "self-reliant", they directed all cross-border trade through communist-controlled toll gates along the Sino-Burmese frontier. The most important was Panghsai (Kyu-hkok) where the Burma Road crosses the international frontier into the Chinese town of Wanting. Tax levied by the CPB at Panghsai amounted to Kyats 27 million, or nearly 50 percent of the CPB's budget in the late 1970s. Black-marketeers from government-controlled areas, as well as other rebel groups (for instance the KIA, which at this time also traded in Chinese-made consumer goods), had no choice but to trade through the CPB.

In 1980, however, China announced a new open-door trade policy and soon there were about 70 unofficially approved "gates" along the border through which Chinese goods entered Burma. The KIA could now trade directly with China; in addition some goods crossed the frontier at the only point controlled by the government: a narrow corridor from Nongkhang in Burma to Man Khun in China, between the two CPB-controlled enclaves of Khun Hai and Man Hio opposite Namkham on the Shweli river. The government had access to a small stretch of the border opposite Muse as well, but that area was considered too insecure because of the proximity of the CPB garrison at Panghsai only a few kilometers to the east.

Pressed by the reduction of revenue from the cross-border trade, the communists found it increasingly difficult to practise this new policy of "self-reliance. " As their finances tightened, they turned their attention to the few resources available to them in the northeastern base area. Unlike the KIA's territory in Kachin State where the soil is rich with jade, rubies and sapphires, there are almost no minerals in Kokang, the Wa Hills and other CPB areas. The only cash crops were tea in Kokang – and plenty of opium in Kokang, the Wa Hills and the area north of Kengtung.

Most poppy fields in Burma were already under the CPB's control, but party policy until the late 1970s had been to curb the production. With Chinese assistance, new varieties of wheat had been introduced, but few among the hill-tribe population knew how to prepare these new crops. The CPB's crop-substitution efforts ended in 1976, after an invasion of rats in the southern Wa Hills which wiped out much of the area's crops. The CPB

assisted the famine victims by distributing 60,000 Indian silver rupees (still the most commonly used hard currency in the Wa Hills) and 1,600 kilograms of opium. When the crisis was over, many families had reverted to growing poppies, which are less vulnerable to pests than the substitute crops. With the reduction of Chinese aid in 1979, there was naturally even less incentive for the CPB to pursue its crop-substitution program.

The CPB now began showing increased interest in the potentially lucrative drug trade - certainly an unorthodox alternative for a party claiming to be communist. Some leaders objected, but they were overruled by hard-liners who were determined to expand the CPB's influence over the Golden Triangle opium trade. Thousands of *viss* (1.6 kilograms) of opium were stockpiled at Panghsang. From there the party transported the drugs via Möng Pawk in the CPB's Northern Kengtung District to the bank of the Nam Hka river, then on by bamboo raft down to the junction of the Salween and down river to Ta-Kaw. There it was loaded onto mules and porters and carried to the Thai border via Möng Pu-awn and Möng Hkok. Thus, the CPB became directly involved with remnants of the KMT – and drug kingpin Khun Sa – who were based along the Thai-Burmese border where they refined the opium into heroin. The CPB also allowed increasing numbers of heroin refineries to operate within its own base area. These refineries were run by the same syndicates as the ones along the Thai border, and they had to pay "protection fees" and other taxes to the CPB

The CPB's official policy was confined to collecting 20 percent of the opium harvested in its base area. This opium was stockpiled at local district offices, where the CPB's "trade and commerce departments" sold it to traders from Tang-yan, Nawng Leng, Lashio and other opium-trading centers in the government-controlled area west of the Sal ween. In addition, there were a 10 percent "trade tax" on opium that was sold in the local markets and a 5 percent tax on any quantity leaving the CPB's area for other destinations. The funds derived from these sources were viewed as legitimate – but several local commanders became increasingly involved in other private trading activities as well as the production of *pitzu* and *huang pi*.[56]

At the same time the CPB's once rather efficient civil administration in the frontier areas began to break down. Schools and clinics had to close because of lack of funds, and party cadres showed less motivation for their work. The main preoccupation of the civil administrators out in the districts

became tax collection for the party or trade in order to support themselves and their families. Ironically, the area controlled by the orthodox Marxist-Leninists of the CPB became a haven for free trade in socialist Burma. The economy remained thoroughly capitalistic and the CPB never even tried to implement a land reform in the northeast – in sharp contrast to the dramatic land-distribution schemes which the party had carried out in central Burma in the early 1950s. Communist ideology became a hollow concept without any real meaning to the people in its northeastern base areas.

Despite the strength of the CPB army, the actual party organization remained weak. In 1977, there were only 2,379 party members in the northeastern base area of whom, significantly, only 888 came from the then 23,000-strong army. The party's youth organization claimed a membership of 2,315 and various "peasant unions" – the basis of the CPB's "people-power" structure in the northeast – enlisted 87,608 members in 882 different local organizations. But these "mass organizations" existed only on paper. By the mid-1980s, the CPB had in effect ceased to function as a properly organized communist party.[57]

In 1985, the CPB decided to launch a "rectification campaign" with the aim of "improving discipline and political as well as military training of soldiers and cadres, rebuilding the civil administration, improving relations with other rebel armies and punish cadres involved in illegal activities". In directives related to the last item, the CPB said that any party member found to be involved in private opium trading would face severe punishment and anyone caught with more than 2 kilograms or more of heroin would face execution.[58]

The CPB's involvement in the drug trade had become an embarrassment to the party's ageing, ideologically motivated leadership. It is also plausible to assume that the "campaign" had been launched under Chinese pressure. The spillover of drugs from the CPB's area into China was becoming a problem, and increasing amounts were also being smuggled via Kunming to Hong Kong. Subsequent to the decision in 1985 to clamp down on the drug trade, party agents were sent out to check up on local cadres and report any wrong-doing to the center at Panghsang. While this did not affect the illiterate rank-and-file of the CPB, it nevertheless caused severe frictions between the top party leadership and several local commanders who had begun to act as warlords in their respective areas.

The frictions within the CPB escalated. Finally, on March 12, 1989, Kokang units led by Pheung Kya-shin and Pheung Kya-fu took the first step and openly challenged the CPB's central leadership. Two days later, their forces captured Möng Ko, the CPB's Northern Bureau headquarters. The mutiny spread to all other CPB base areas in the northeast. Then, late at night on April 16th, troops from the predominantly Wa 12th Brigade stormed Panghsang. The rebellious troops seized the well-stocked armory and other buildings. While they were smashing portraits of communist icons Marx, Engels, Lenin, Stalin and Mao Zedong, and destroying CPB literature in an outburst of anti-party feeling, the CPB's ageing, staunchly Maoist leadership fled across the Nam Hka river into China. For the first time in history, a communist insurgency had been defeated from within its own ranks. Almost 50 years after it had been formed by a small group of Burmese intellectuals in a small flat in Rangoon, and 41 years since it launched armed struggle against the government, the CPB ceased to exist.[59]

Collapse of Insurgency in Shan State

The CPB mutiny altered dramatically the military map of Burma and resulted in a number of new, seemingly unlikely alliances. The first surprise came when the SLORC decided to use the old warlord Lo Hsing-han to act as an intermediary with the mutineers. Despite having been sentenced to death in 1976 after a drawn-out trial, Lo Hsing-han was never executed. Rangoon had been farsighted enough to realize that sending Lo Hsing-han to the gallows would be tantamount to destroying a useful political tool. He was released during a general amnesty in 1980 and given two million Kyats by the government to build a new military camp in Nampong in the Lashio area. Moreover, he set up another home guard unit, this time under the government's new *Pyi Thu Sit* (People's Militia) program, started after the disbanding of the KKY seven years before. The new agreement was effectively the same as the former accord between Rangoon and the KKY: fight the rebels and gain, in return, access to government-controlled roads for smuggling.[60]

But it was several years before Lo Hsing-han regained some of his former strength and prominence. The 1989 mutiny within the CPB came at

the right time. On March 20-21st, only a week after the first uprising in CPB leaders at Möng Ko, Lo Hsing-han paid his first visit to Kokang since being driven out by the party in 1968. But this time, the Pheungs arranged a dinner party for their former enemy.

In late April, shortly after the fall of Panghsang and the subsequent flight of the old CPB leaders to China, Brigadier-General Khin Nyunt, the director of Burma's military intelligence, and Colonel Maung Thint, chief of the Burma Army's northeastern command in Lashio, helicoptered to the town of Kunlong near Kokang. They met with Pheung Kya-fu and agreed upon a temporary cease-fire.[61] After the initial meeting in Kunlong in April, Khin Nyunt paid several highly-publicized visit to Kokang.[62] On November 11th, Wa chieftain Chao Ngi Lai and some of his officers were taken by helicopter from the Wa Hills to Lashio to meet Khin Nyunt, Maung Thint and several other SLORC leaders. A "border development scheme" had already been launched by Rangoon and, according to government figures, 70 million Kyats were to be spent on building roads, bridges, schools and hospitals in these previously neglected frontier areas. Diesel, petrol, kerosene and rice were distributed in the former CPB areas.[63]

Lo Hsing-han's importance grew as an intermediary in negotiating with the mutineers, especially those from his native Kokang. Lucrative business opportunities overshadowed old animosity between him and the Pheungs. The former CPB commanders, who only months before had been denounced in the official Burmese media as "drug traffickers", "drunkards", "womanizers" and "bandits", suddenly became respectable citizens, were now described as "village elders" and "community leaders".[64]

The former CPB array, meanwhile, had split up into four different forces based along ethnic lines. The northernmost CPB territory, the former 101 War Zone around Kambaiti, Panwa and Hpimaw pass in Kachin State, became the New Democratic Army. The units in Möng Ko and Kokang were transformed into the Myanmar [Burma] National Democratic Alliance Army (MNDAA), led by the Pheung brothers. The Wa units merged with some non-communist Wa forces along the Thai border to become the United Wa States Army (UWSA), headed by Chao Ngi Lai. In the east, north of Kengtung, the former 815 War Zone became the Burma (Eastern Shan State) National Democratic Army, led by Lin Ming Xian, Pheung Kya-shin's son-in-law.

To placate these groups, and to make sure that they did not turn their guns against the government, the old KKY accord was revived once again. Within a year of the CPB mutiny, intelligence sources claimed that there were at least 17 refineries in Kokang and the adjacent former CPB territory west of the Salween: four near the former CPB's Northern Bureau headquarters at Möng Ko; six at Möng Horn, about 20 kilometers to the south; two at Nam Kyuan; one at Loi Kang Möng, south of the Hsenwi-Kunlong road; and four inside Kokang proper, east of the Salween.[65] In the Wa area, six refineries were located and their processing rate reportedly doubled during the first half of 1990.[66] In Lin Ming Xian's area in eastern Shan State, new heroin refineries went into operation near the Man Hpai headquarters of the former 815 War Zone, and at Loi Mi mountain near the border town of Möng La inside the former CPB area.[67]

With the collapse of the CPB as an anti-government force, allied armies which had depended on the communists for arms and ammunition, also broke up. In September 1989, about 2,000 SSA troops led by Hsö Hten struck a similar deal with Rangoon. This agreement was followed in January 1991 by the defection of Mahtu Naw, a local KIA rebel commander from the Kachin-inhabited area adjacent to the former CPB territory near the Salween river.[68] Although Mahtu Naw did not have more than a few hundred men under his command, his defection shattered the battle-hardened and well organized KIA, which until then had been the only ethnic insurgent army in the area that had not suffered any splits or internal divisions.[69] Thus, as a pro-democracy movement swept Burma and much of the population turned against the regime, thousands of former insurgents rallied behind the ruling military.

Rangoon: Playing the Heroin Card

Isolated diplomatically and condemned by most Western powers because of the massacres of pro-democracy activists in 1988, the SLORC has been trying desperately to be re-admitted into the international community. Given its direct involvement with the heroin traffickers along the Sino-

Burmese border, it may seem ironic that it decided to do this by exploiting the drug issue.

In late February 1990, a Burmese delegation led by Foreign-Ministry Director-General Ohn Gyaw visited Washington to lobby for resumption of U.S. anti-narcotics assistance to Burma, which had been cut off after the 1988 massacre. The U.S. State Department refused to see the Burmese, but they did manage to speak to Rep. Charles B. Rangel, chairman of the House Committee on Narcotics, and DEA officials. The meeting embarrassed the State Department because the delegation included Brigadier-General Tin Hla, the commander of the 22nd Light Infantry Division which has never been involved in "anti-narcotics efforts" – but which carried out the August 1988 massacre in Rangoon.

But when U.S. Attorney-General Richard Thornburgh announced the indictment of opium warlord Khun Sa on March 15th, 1990, the SLORC apparently discovered an opening. With the emergence of Lo's new heroin empire in the northeastern Shan State, Khun Sa had outlived his usefulness. Significantly, heavy fighting broke out in 1989 between Khun Sa's forces and UWSA troops. Wa troops arrived at the Thai border in Burma Army trucks, and more recent reports suggest that the Rangoon government will provide ammunition and air support for the UWSA.[70]

The DEA appears willing to play along with this cynical alliance, perhaps hoping that the effort will result in the capture of Khun Sa. In late April 1990, the DEA's station chief in Rangoon, Mrs. Thuy N. Coyne, even masterminded a media blitz by arranging for a CBS camera team to film a drug-burning ceremony organized by Burma's military authorities. The State Department dismissed the bonfire as a "publicity stunt", underlining the differences in approach to the drug problem in Burma which have become apparent within the U.S. administration since 1988.[71] The DEA seems inclined to pursue the old policy of assisting any government that claims it is fighting drugs, while the State Department appears to have adopted a more critical approach.[72]

The DEA's own policy was demonstrated again in November 1990 when Rangoon staged a drug-burning ceremony in Kokang itself. Burma's intelligence chief Khin Nyunt flew up to the event together with two DEA officials from Rangoon and some UN personnel. Eyebrows were raised in some quarters when the MNDAA overlord, Pheung Kya-shin, was featured as "leader of the Kokang nationals" – officiating the drug burning

ceremony. In his speech, Pheung asked for support for his "program for the destruction and suppression of narcotic drugs." Then, two supposed heroin refineries were put to the torch.

Pheung's speech, which was reproduced in the state-run *Working People's Daily* a few days after the event, was written in an unusually good English and contained some remarkable statements. He said, for instance, that "there was only buying and selling of opium in the area before the arrival of the CPB. Buying and selling of morphine base and heroin did not exist.[73] Pheung failed to mention, however, that he was the military commander of the CPB unit that took over Kokang in 1968, or that it was he who established the first heroin refinery in the area in the mid-1970s. At that time, the CPB was still receiving assistance from Beijing and relations between the Burmese and Chinese parties were friendly and cordial. Thus, the Chinese approached the CPB chairman, Thakin Ba Thein Tin, requesting him to stop Pheung's activities. Pheung was given 400,000 Kyats to close down his refinery. He was subsequently transferred to party headquarters at Panghsang. But he soon set up a new refinery at Wan Ho-tao, east of Panghsang. At the time of his speech, Pheung himself was the owner of several heroin refineries in the Nam Kyaun area immediately west of the Salween as well as in Kokang proper.[74]

A second, similar ceremony was organized in January in Möng Ko, to which some Thai journalists also were invited. This time, Pheung Kya-shin destroyed three supposed heroin refineries and burnt about 100 kilograms of drugs. UN and DEA officials reportedly described the event as an "encouraging sign." Sources from the area, however, were much less impressed: they claimed the drugs that were burnt actually had been bought from Pheung Kya-shin and other heroin traffickers in the area for 80,000 Kyats a kilogram, or approximately the local price for good quality, No. 4 heroin. They also said the number of heroin refineries in the area had increased from 17 in mid-1990 to 23 in early 1991.[75]

Present at the ceremony at Möng Ko was also Ai Kyaw Hsö, a heroin trafficker from the Thai-Burmese frontier and Khun Sa's foremost rival for control of the border trade in the south. In an interview with one of the invited Thai journalists, he confirmed the commitment to fight Khun Sa.[76] This seems to lend credence to a suggestion issued by U.S. Sen. Daniel P. Moynihan: "The Burmese regime has done nothing more than change business partners, turn on Khun Sa and get the public relations advantage

that the DEA is giving them; use the former CPB, and turn them into a willing drug-trafficking partner."[77]

Policy Alternatives and Their Probable Impact

Few Southeast Asian issues have been so misunderstood and mishandled as the question of drugs from the Golden Triangle. The DEA's approach, allying with the Burmese military and assisting them in playing off one warlord against the other, can hardly be described as an effective, enlightened policy. Sadly, the the way the UN has dealt with the problem does not leave any more room for optimism. The United Nations Fund for Drug Abuse Control (UNFDAC) initiated a crop substitution program in Burma in the mid-1970s, totalling U.S. $6.5 million for the "first phase" 1976-81, and about the same sum for two subsequent phases until the scheme was abandoned in the wake of the upheaval of 1988.

But these programs were mostly "preventative crop substitution", i.e. new plants and crops were distributed in any area where poppies could potentially be grown. The rationale for this was that "any limitation of the target population to the opium producing areas . . . would be counter-productive and a discrimination against the law abiding non-poppy growing farmers."[78] With this liberal interpretation of the concept "crop substitution" it was hardly surprising that the annual production in Burma increased sharply from 350 to 1,280 tons during the period 1985 to 1988.[79]

The rapid increase during these years was also due to a number of other factors. Near-perfect weather conditions during several growing seasons was one important element – and so was the Rangoon government's decision in September 1987 to demonetize without compensation all Kyats 25, 35 and 75 bank notes in circulation.[80] After that, most Burmese lost confidence in paper money and turned to traditional hard currencies: gold and real estate in the towns – and opium in the border areas.

Paradoxically, a U.S. aid program, suspended after the bloodbath in Rangoon in September 1988, may also have been a contributing factor. The U.S. $18 million a year project financed the aerial spraying of opium crops, otherwise inaccessible to the Rangoon. But instead of curbing production,

narcotics officials believe the program only inspired farmers in the poppy growing areas to increase their planting in hopes of compensating for expected spraying losses.[81]

Since the mutiny put an end to fighting in the northeast, thousands of former CPB combatants, mostly young men, have since returned home to their villages in the hills, providing many new laborers in the poppy fields. Hence, there is no shortage of raw opium to supply the heroin refineries run by former CPB commanders in the northeast. In his speech in Kokang in November 1990, Pheung Kya-shin requested assistance for a "crop substitution program" in Kokang to be introduced in Lao Khai and Cbinsweho – two villages which are located in the Kokang's only valley and, therefore, areas where poppies are not normally grown.[82]

It is obvious that past and present approaches by the U.S. as well as the UN to Burma's drug problem have been counter-productive. But in a surprisingly candid report, the U.S. General Accounting Office also concluded already in 1989: "In Burma, corruption facilitates illicit trafficking and makes effective action against narcotics difficult to sustain . . . [and] a political settlement with the insurgents may be needed before long-term narcotics reduction can be achieved."[83]

Such a fundamental change in approach may be needed. In seeking a political solution to the problem, the peace accords with the MNDAA, the UWSA and other former CPB units can hardly serve as models. Most Burmese, whether they are Burmans or of the various minorities, seem to argue that little can be achieved without a drastic policy change which would have to include a permanent solution to the ethnic minority issue as well as an improvement in the overall political situation in Burma. For years, Burma's border wars were isolated from mainstream Burmese politics. After the uprising of 1988, the insurgency-and the relationship with the former CPB forces-has become a central rather than a peripheral issue. Drug-addiction in Burma itself is also spreading rapidly: unofficial UN estimates now put the figure at 160,000 heroin users in Burma of whom more than 50 percent already are HIV infected. Only five years ago, there were no more than 30,000 heroin addicts in Burma and no known AIDS cases.

When the SLORC assumed power in 1988, it announced, to the surprise of many, that it intended to hold "free and fair elections". This election was indeed held on May 27, 1990, and the outcome was a land-slide victory for

Burma's foremost pro-democracy grouping, the National League for Democracy (NLD), which captured 80 percent of the seats in the 485-seat National Assembly. But to this writing, no attempts have been made to convene this assembly. Both the NLD's chairman, Tin Oo, and its popular general secretary, Aung San Suu Kyi (the daughter of Burma's independence hero, General Aung San), were put under house arrest in July 1989, a year before the election. The acting chairman, Kyi Maung, and the acting secretary, Chit Khaing, were sentenced to seven years imprisonment in September 1990. More than 50 MPs elect have also been arrested, two have died in police custody, presumed tortured to death, and about a dozen have fled to the Thai border where they proclaimed a parallel government in December 1990, challenging the legitimacy of the SLORC.

Some U.S. politicians have argued that a Burma policy would have to choose between human rights or drug suppression. Rep. William Hughes, for instance, said in late 1989: "The U.S. policy towards Burma is seriously flawed. It is a mistake on our part not to act on this drug trafficking simply because we are not satisfied with the government's human rights record."[84]

Burmese opposition sources, on the other hand, argue that the two issues are inseparable: it is precisely the SLORC's human rights record, and its desire to hold on to power at any cost, that have lead to massive opium production and a booming heroin trade. The possibility after the 1990 election of a democratic government assuming office in the world's largest heroin-producing country could have paved the way for a new initiative in the war against narcotics. If a democratic government had taken over after the 1990 election, former donor countries would have resumed their aid programs. A democratic government would most certainly also have permitted a freedom of the press which is needed to break the cordon of secrecy which has surrounded Burma's sector of the Golden Triangle since the military first seized power in 1962. Now, the only choice is SLORC-orchestrated, closely-guarded official trips to the area which amount to mere charades.

The minority issue, which in many ways is the root of the drug problem, was addressed by the NLD in its official party program:

The forty-year history of [ethnic] relations has been a chapter of misfortune verging on the tragic. Along Burma's extended borders from the extreme north to the far south there are no less than thirteen groups of insurgents – a situation which is sapping the strength and resources of the

nation. The development of the country has suffered greatly since approximately 40 percent of the national budget has to be devoted to defence requirements. For these reasons we must seek a lasting solution to the problems of the ethnic minorities . . . it is the aim of the League to secure the highest degree of autonomy consonant with the inherent rights of the minorities and the well-being of the Union as a whole.[85]

This approach differs considerably from the SLORC which has either entered into business deals with former insurgent groups, or demanded outright surrender. A Thai attempt to mediate in the conflict in May 1989 was dismissed by the SLORC as a "gross interference in Burma's internal affairs." At the time, an army spokesman said: "We shall fight the insurgents until they are eliminated."[86]

Despite such rhetoric, no anti-drug policy in Burma has any chance of success unless it is linked to a real political solution to the civil war and a meaningful democratic process in Rangoon. The alternative is a continuing strife which will keep the heroin flowing.

Glossary

CPB: The Communist Party of Burma; the country's main insurgent group from Burma's independence in 1948 until a mutiny in March-April 1989 after which the organization collapsed.

KIA: The Kachin Independence Army; ethnic rebel army in Burma's Kachin State. Led by Brang Seng.

KKY: Ka Kwe Ye (literary "defence" in Burmese); home guard units set up by the Burma Army in the 1960s. They were dissolved in 1973.

KMT: The Kuomintang; Nationalist Chinese forces. Following their defeat in the Chinese civil war in 1949, the main KMT force retreated to Taiwan while several thousand soldiers fled to northeastern Burma where some of them remained well into the 1970s. Now based along the Thai-Burmese border.

MNDAA: The Myanmar (Burma) National Democratic Alliance Army; one of the units into which the CPB broke up in 1989. After the CPB mutiny, the MNDAA emerged as the main trafficking group in the Golden Triangle. Led by Pheung Kya-shin.

SLORC: The State Law and Order Restoration Council; the junta that assumed office when the military moved in to reassert power on September 18, 1988, following weeks of anti-government demonstrations. Led by General Saw Maung, commander in chief of Burma's armed forces.
SNA: The Shan National Army; local resistance army in the Kengtung area, eastern Shan State, in the 1960s. Now defunct; its last remaining forces were absorbed by the CPB in 1976.
SSA: The Shan State Army; main nationalist group among the Shans in the 1960s and the 1970s. Set up in 1964 by the widow of Burma's first president Sao Shwe Thaike. Now a home guard force similar to the MNDAA and the UWSA.
SUA: The Shan United Army; formerly Loi Maw KKY, Opium trafficking organization set up by Chang Chifu alias Khun Sa in the mid-1970s. Merged with the TRC in 1985.
SURA: The Shan United Revolutionary Army; set up in 1969 and closely allied with the 3rd KMT of General Lee Wen-huan. The SURA leader, Moh Heng, broke with the KMT in 1984 and joined forces with a break-away faction from the SSA to become the TRC.
TRC/MTA: The Tai Revolutionary Council/the Möng Tai Army; set up in 1984 to unite the SURA and the 2nd Brigade of the SSA. In 1985, Khun Sa's SUA merged with, or rather took over, the TRC. In early 1991 the TRC changed its name to become the Shan State Restoration Council, the SSRC, but its army remained the MTA.
UWSA: The United Wa States Army; set up in 1989 to unite the ethnic Wa components of the former CPB army and non-communist Was along the Thai border. Led by Chao Ngi Lai, a Wa of the former CPB army.
WNA/WNC: The Wa National Army/the Wa National Council; different non-conununist Wa factions along the Thai border. The WNC, led by Ai Kyaw Hsö, joined the Wa forces of the former CPB in 1989 become the UWSA. The WNA, led by Mahasang, is a smaller still independent group.

Notes

1. Bertil Lintner: "Asian Narcotics: Protected Industry," Far Eastern Economic Review, 28 June 1990, p. 20. These figures were supplied by the US Consulate-General in Chiang Mai, Thailand. See also Bangkok Post, March 2, 1992.

2. For an account of the 1988 uprising in Burma, see Bertil Lintner, Outrage Burma's Struggle for Democracy (London: White Lotus UK, 1990), and David I. Steinberg, The Future of Burma - Crisis and Choice in Myanmar (Lanham, New York and London: University Press of America/The Asia Society, 1990).

3. For the SLORC's version of CPB involvement in the 1988 uprising, see Burma Communist Party's Conspiracy to take over State Power (Rangoon: Ministry of Information, 1989). For a completely different account of the CPB's role, see Bertil Lintner, The Rise and Fall of the Communist Party of Burma (Ithaca: Cornell University, Southeast Asia Program, 1990).

4. Bertil Lintner, "Rebels with a Cause," Far Eastern Economic Review, 30 March 1989; and Bertil Lintner, "Left in Disarray," Far Eastern Economic Review, 1 June 1989.

5. According to several interviews with former CPB cadres in exile in Yunnan, China, January 1991. See also International Narcotics Control Strategy Report. Mid-Year Update September 1990 (Washington, DC: US Department of State, Bureau of International Narcotics Matters), pp. 55-56.

6. David R. Schweisberg, UPI, Kunming, Bangkok Post, 29 April 1990, "The Golden Triangle: New Chinese Links," the Los Angeles Times, 24 July 1990, and Uttam Sengupta, "Spreading Scourge," India Today, 15 December 1990.

7. For a detailed account of Shan migration, see Sao Saimong Mangrai, The Shan States and the British Annexation (Ithaca, Cornell University, the Southeast Asia Program, Data Paper No. 57, 1965), pp. 15-46.

8. Bertil Lintner, "The Shans and the Shan State of Burma," Contemporary Southeast Asia, Vol. 5 No. 4 (Singapore, March 1984), pp. 403-405. See also Chao Tzang Yawnghwe, The Shan of Burma - Memoirs of a Shan Exile (Singapore, Institute of Southeast Asian Studies, 1987), pp. 63-88. "Burman" refers to a member of the majority ethnic group in Burma; "Burmese" includes every citizen of Burma: Burmans as well as Shans, Kachins, Karens and so on. To add to the confusion, "Burmese" also refers to the language of the Burmans. In June 1990, the SLORC changed the official name of the country from "Burma" to "Myanmar", claiming that the latter term covered all the peoples of the union. This claim is questionable since "Burma" always has been "Myanmar" in Burmese; there is no other difference between these two names of the country.

9. Quoted in "A Cockpit of Anarchy," Asiaweek, 29 May 1981.

10. The Shan of Burma - Memoirs of a Shan Exile, pp. 77-83.

11. Josef Silverstein, "Politics in the Shan State: The Question of Secession from the Union of Burma," The Journal of Asian Studies, No 28 (November 1958).

12. For a full text of the Panglong Agreement, see "The Shans and the Shan State of Burma," pp. 435-437.

13. The Constitution of the Union of Burma, (Rangoon: Government Printing and Stationery, 1947. Chapter X:201-206). But note that only the Shan and Karenni (Kayah) states enjoyed the right to secede; other states and divisions did not.

14. John LeRoy Christian, Burma and the Japanese Invader (Bombay: Thacker & Company Ltd., 1945), pp. 12-13.

15. The Kuomintang Aggression Against Burma (Rangoon: Ministry of Information, 1953), pp. 9-12.

16. Ibid. p. 16.

17. Weekend Telegraph (London; 10 March 1967). Also quoted in Alfred W. McCoy, The Politics of Heroin in Southeast Asia (New York: Harper & Row, 1972), p. 319.

18. For a full text of these laws, see The Opium Manual. Containing the Opium Act and the Rules and Directions thereunder in force in Burma (Rangoon: Superintendent, Central Press, 1964).

19. The Burma Gazetteer: The Bhamo District (Rangoon: Superintendent, Government Printing and Stationery, reprint 1960), p. 82.

20. Leslie Milne, The Shans at Home (New York: Paragon Book Reprint, 1970), p. 180.

21. The Kuomintang Aggression, pp. 11, 37: "The Kuomintang troops have engaged in large-scale smuggling of opium...the profits of which have gone into their pockets...a regular plane service of two flights a week between Möng Hsat and Taiwan was reported. These aircraft, C-46 and C-47 transport planes...carry opium on their outward flights."

22. According to McCoy, The Politics of Heroin in Southeast Asia, p. 144: "There can be little doubt that CIA support was an invaluable asset to General Phao in managing the opium traffic. The agency supplied the aircraft, motor vehicles, and naval vessels that gave Phao the logistic capability to move opium from the poppy fields to the sealanes."

23. Elaine T. Lewis, "The Hill People's of Kengtung State," Practical Anthropology 4, No. 6 (November-December 1957).

24. "The Shans and the Shan States of Burma", pp. 412-413; The Shan of Burma Memoirs of a Shan Exile, pp. 112-113.

25. THe Shan of Burma - Memoirs of a Shan Exile, p. 117.

26. For an account of the crisis, see Josef Silverstein, Burma - Military Rule and the Politics of Stagnation, (Ithaca and London: Cornell University Press, 1977), pp. 76-79.

27. The Shan of Burma - Memoirs of a Shan Exile, p. 117.

28. Bertil Lintner, "Rebels, jade and religion", Far Eastern Economic Review, (18 August 1983), pp. 32-33.

29. For a detailed account of the federal movement of the early 1960s, see The Shan of Burma - Memoirs of a Shan Exile, pp. 118-121.

30. See the statement of his daughter Sao Nang Ying Sita in Hearings before the Subcommittee of Future Foreign Policy Research and Development of the Committee on International Relations. House of Representatives. 94th Congress, first session. April 22 and 23, (Washington, DC: US Government Printing Office, 1975), pp. 137-149.

31. Bertil Lintner, "Burma keeps mum on the fate of the prince of Hsipaw," Bangkok Post, 18 August 1988.

32. Statement of Adrian Cowell in Hearings, 1975. But note the distinction made by Cowell: "The [ethnic rebel] armies only escort the convoys, and they charge a 20 percent protection fee, and most of the opium is, in fact, bought and sold by merchants who operate independently." Ibid., p. 28.

33. Political Science Review, (Chiang Mai University, Thailand), September 1982.

34. The Rise and Fall of the Communist Party of Burma., pp. 21-23.

35. The Politics of Heroin in Southeast Asia, pp. 336-337; and also Focus Magazine (Bangkok, August 1981): "...only about 600 of the 1,374 men of the KKY in the Kokang region were

paid by the government at the rate of 50 Kyats (about USS7) a month. The remainder earned their living by trafficking in drugs or smuggling other goods."

36. A Special correspondent, "The Return of Lo Hsing-han", Focus (August 1981), p. 17.

37. Ibid, p. 17.

38. Ibid., p. 18.

39. Jon Swain, "At the court of the opium king," Bangkok Post, 25 January 1974; and Anthony M. Paul: "The sinister warlord behind Asia's drug traffic," Reader's Digest, May 1973.

40. Outrage, p. 49.

41. Estimates by Sao Hsö Lane, commander of the Shan State Army (SSA), 18 April 1982.

42. Interview with CPB chairman Thakin Ba Thein Tin, Panghsang, 21 December 1986.

43. Interview with Sao Hsö Lane, 18 April 1982.

44. Interview with Sao Hsö Lane, 17 April 1982.

45. Catherine Lamour and Michel R. Lamberti, The Second Opium War (London: Allen Lane, 1974), pp. 96-97.

46. "The Shans and the Shan State of Burma", p. 419.

47. "Taiwan links in Lo trial", Bangkok Post, 25 January 1974.

48. The Politics of Heroin in Southeast Asia, pp. 130, 138.

49. Ibid., p. 306.

50. "The Shans and the Shan State of Burma," p. 421.

51. Patya Saihoo, "The hill tribes of northern Thailand and the opium problem, Bulletin of Narcotics (December 1967), p. 41: "Of the opium-producing tribes, the Lisu and the Black Lahu consume the least of their own produce (about 5 percent), the Red Lahu the most (30-40 percent) and the Meo and the Yao in between." The highest figure would correspond to a 70-80 percent addiction rate in a middle-sized Red Lahu village.

52. Focus (August 1981), p. 49.

53. "The Shans and the Shan State of Burma," p. 431.

54. André and Louis Boucaud, Burma's Golden Triangle — On the trail of the Opium Warlords (Hongkong: Asia 2000, 1988), pp. 169-170: "The Burmese military offered Khun Sa free trade in opium and its derivatives if he undertook to use his troops trained for jungle warfare, against the minorities' insurgent groups and the communist guerrillas."

55. Interview with See Thein, political commissar of the CPB's northeastern base area, Panghsang, 5 January 1987. See also The Rise and Fall of the Communist Party of Burma, p. 39.

56. Ibid., p. 40.

57. Ibid., p. 41.

58. Interview with Soe Thein, political commissar of the CPB's northeastern base area, Panghsang, 5 January 1987.

59. For a detailed description of the mutiny, see The Rise and Fall of the Communist Party of Burma., pp 39-46.

60. Focus, August 1981; "An unconventional weapon", Far Eastern Economic Review, 18 June 1982.

61. Bertil Lintner, "Left in disarray," Far Eastern Economic Review, 1 June 1989. See also Working People's Daily (Rangoon), 23 April 1989.

62. For instance, see Working People's Daily (Rangoon), 28 August 1989.

63. Interview with Ai Pao, Wa leader, Chiang Mai 19 April 1990.

64. Soe Tun Ni, "All that Glitters is not gold – 2", Working People's Daily (10 May 1989): "The [CPB] insurgents are doing opium business...they have get understanding with the KMT White Chinese and the Wa insurgents with whom they once quarrelled and are now trafficking in opium with their help" (sic). In what could have been an oversight by the editor of the state-run newspaper, its 5th December issue published a vitriolic attack on a [former] CPB commander, Zhang Zhi Ming, who was described as a "bull on heat when in comes to female matters." (sic) The commander in question participated in unofficial peace talks in Rangoon with the military authorities on the day the article appeared in the Working People's Daily.

65. Bertil Lintner, "A fix in the making," Far Eastern Economic Review (28 June 1990).

66. International Narcotics Control Strategy Report, Mid-Year Update (September 1990), US Department of State, Bureau of International Narcotics Matters, p. 56.

67. Bertil Lintner, "A fix in the making," Far Eastern Economic Review (28 June 1990); interviews with former CPB cadres at Mangshih, Yunnan, January 1991.

68. Working People's Daily (Rangoon), 17 January 1991.

69. According to a statement issued by the KIA in early February 1991, six companies from its 4th Brigade (based in northeastern Shan State) agreed to a cease-fire with the SLORC. The main KIA, or 8-9,000 troops in Kachin State, has not been affected by the defection, the statement said.

70. Bangkok Post, 3 February 1991.

71. The Nation (Bangkok), 25 May 1990. Mrs. Thuy Coyne is a Vietnamese-American who is listed as an "attache'" at the U.S. Embassy in Rangoon. She is married to James P. Coyne, or Jim Coyne, who was based for many years in Bangkok where he was a correspondent for *Soldier of Fortune* magazine.

72. This critical mood was reflected in several testimonies at hearings on narcotics in Washington in March 1990, especially in regards to Thailand. Melvin Levitsky, assistant secretary of state for narcotics matters, said: "The problem in Thailand now is...increasing reports on corruption...it is very clear that, particularly along the Burma border, there is collusion between some high-level and some low-level Thai officials and the traffickers." Sherman Funk, the US State Department's inspector-general, went on to criticize the US Embassy in Bangkok: "[Its] reporting on the narcotics situation in Thailand did not accurately reflect more candid reporting by other US officials...Thailand's excellent infrastructure provides convenient routes for Golden Triangle drugs en route via sea and air transit terminals to the US and other international markets...on previous occasions US dignitaries have been advised to praise Thai efforts to control narcotics. What has been lacking is a candid approach, seeking Thai cooperation with a meaningful interdiction program that would disrupt drug-trafficking through Thailand."

73. Working People's Daily (Rangoon), 24 November 1990.

74. According to former CPB cadres from Kokang who were interviewed in Mangshih and Ruili, Yunnan, China, in January 1991.

75. Interviews in Mangshih and Ruili with local residents of Möng Ko, January 1991. According to correspondence this writer received from Kokang in February 1991, the military authorities had paid 100,000 Kyats a kilogram for the drugs which were burnt at the first ceremony in November 1990. The sources also alleged that military officers from Rangoon did not bum all the heroin they bought; they took substantial quantities with them when they left the area.

76. Bangkok Post, 3 February 1991.

77. Statement from Sen. Daniel P. Moynihan's office, Washington, 22 March 1990.

78. UNFDAC: Review of the UNFDAC/Burma Program for Drug Abuse Control, October/November 1983, p. 4.

79. Drug Control: Enforcement Efforts in Burma Are Not Effective (US General Accounting Office, September 1989), p. 19.

80. Outrage, pp. 67-68.

81. The Los Angeles Times, 24 June 1990: "'We sprayed them into overproduction,' said a narcotics expert in Bangkok."

82. Working People's Daily, 24 November 1990. Bangkok Post of 3 February 1991 published pictures of intelligence chief Khin Nyunt destroying poppies "in a field near Chinsweho." The poppies, however, looked conspicuously small and few had flowers or real pods; the field appeared to have been grown not for commercial purposes but for for the benefit of the foreign visitors.

83. Drue Control: Enforcement Efforts in Burma Are Not Effective, pp. 15, 27.

84. The Sunday Star-Ledger, 27 August 1989.

85. Program of the National League for Democracy, mimeograph, 1989, pp. 2-3.

86. Bertil Lintner: "Crossed signals," Far Eastern Economic Review, 15 June 1989.

12
Pakistan: The Empire of Heroin

Lawrence Lifschultz

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The author wishes to express special thanks to Imran Akbar of the Lahore daily The Nation, who courageously pursued the "Norwegian connection" until he had to flee Pakistan following threats to his life. Abo deserving special mention is Wasim Qazi, a young freelace

journalist who was murdered in Lahore while investigating a story on the heroin trade.

Introduction

"I will never bargain with drug dealers on U.S. or foreign soil," George Bush vowed in March 1988. It is impossible to read that pious statement now without the case of General Noriega springing to mind. But was the Panamanian the only narco-general with whom George Bush had ever done business? Within hours of his acceptance speech at the 1988 Republican Convention in New Orleans, Bush was paying solemn tribute to the United States' "special relationship" with Pakistan's General Mohammed Zia ul-Haq, killed the day before in an unexplained air crash. But even *The New York Times's* somber obituary alluded to an open secret: that "senior figures in the Zia government were said to have ties to drug traffickers."[1]

It was a glaringly hot day in May 1984 when Vice President George Bush swept into Pakistan. Upon his arrival, he was greeted by a nineteen-gun salute and welcomed with unusual warmth by the generals, admirals and air marshals of the country's military regime. At the head of the delegation stood General Zia ul-Haq.

Bush's visit, the first to Pakistan by a senior U.S. official since Zia seized power in a July 1977 coup, was a sorely needed boost for a regime facing acute domestic unrest. It was also of crucial significance to the United States. The U.S. effort to support the Afghan resistance against the Soviet invasion of Afghanistan was ready to shift into high gear, and the Pakistan Army and its principal military intelligence agency, the Inter-Services Intelligence, were poised to support the largest U.S. "covert" operation since the Vietnam War.

When the banquets, speeches and parades were over, Zia and Bush left the summer heat of Islamabad for the cool, pine forest resort of Muree. There the two leaders settled down to business. They clarified the details of the Afghan arms pipeline and agreed on unprecedented requests from the Pakistani military regime for $3.2 billion in new U.S. aid-over and above the $2 billion that would be allocated to the Afghan operation. Whatever his

strategic motives might have been, Bush's handling of the drug issue raises serious questions about his objectives in Pakistan. The Vice President heaped praise on the Zia government's anti-narcotics program. At a banquet in his honor, Bush noted that drug control was a matter of "personal interest" and that Pakistan's efforts were a source of the greatest satisfaction to him. Among the guests listening to his remarks that evening were a number of prominent individuals allegedly linked to the most lucrative heroin syndicates in the world.

At the time of his visit, George Bush was chairman of the National Narcotics Border Interdiction System, a nationwide network designed to stem the flow of drugs into the United States. By 1984, according to European police sources, Pakistan was furnishing 70 percent of the world supply of high-grade heroin.[2] Five years earlier, when General Zia executed his elected predecessor, Zulfiqar Ali Bhutto, heroin was unknown in Pakistan. By 1988, the country had an estimated 650,000 heroin addicts.

While Bush and Zia walked among the pines at Muree, another story was unfolding thousands of miles away in Norway. In an Oslo prison cell, a young Pakistani heroin smuggler named Raza Qureshi was giving police details about a rather unusual narcotics syndicate. Arrested at Oslo's Fornebu airport with 3.5 kilograms of Pakistani heroin in December 1983, Qureshi began cooperating with police in hopes of reducing his own jail sentence. His statement and later testimony would implicate General Zia's personal banker, Hamid Hasnain, and ultimately lead to the door of the General himself. The discreet personal intervention of both the General and his wife, who regarded Hasnain as a surrogate son, blocked any serious progress on the investigation which continued for four years until the threat of Norwegian diplomatic protests finally prodded Pakistani police and prosecutors to file criminal charges in October 1985.

Two years later, after further interminable delays, Hasnain and his coaccused shouted death threats at the key prosecution witness brought from Norway during three days of hearings in an Islamabad courtroom, until Norwegian protests forced Pakistani court officials to restore order. This tale of crime and punishment, described below, has all the intrigue of a heroin trail as dramatic as the *French Connection.* More importantly, it is one the cases that allow us to understand the politics that underlie Pakistan's emergence during the 1980s as a major center in the global heroin trade.

The Hasnain case was not the only one in which leads disappeared when they reached the higher levels of authority in Pakistan. Indeed, it was simply indicative of a much broader picture, where the politics of heroin inexorably took hold of important centers of power in Pakistan during the decade of Zia ul-Haq's rule. By simply analyzing a set of specific narcotics cases, which were largely ignored by the Western press during General Zia's years, we can understand how Pakistan's heroin addict population climbed from virtually zero in 1979 to 650,000 in little more than a decade.

Moreover, when these examples are placed in the context of the region's geopolitics and its covert wars, a picture emerges explaining how Pakistan developed during the early 1980s as one of the principal, if not the principal source, of high-grade heroin in the world's narcotic trade. It was a decade in which Pakistan became a "front line" state on one of the fiercest and most bitterly fought fronts of the Cold War. During the 1980s, the U.S. Central Intelligence Agency embarked upon its largest covert operation since the Vietnam war.

As in Indochina, where initially a subtle and then a more blatant intermingling occurred, so it became in the Afghan war where an immense narcotics trade developed in the shadows of clandestine operations. Efforts by Afghan intellectuals and others among the exiled democratic opposition to alert American diplomats to the danger of backing specific *mujahideen* factions linked to organized crime syndicates within Pakistan and the Pakistan military were politely noted, but not acted on.[3] During the 1980s, corruption, covert operations and narcotics became intertwined in a manner which makes it difficult to separate Pakistan's narcotics traffic from more complex questions of regional security and insurgent warfare.

CIA Covert Warfare in Afghanistan

The world of intelligence and covert operations has been described as a wilderness of mirrors. It is a bleak world where shadows and images play upon the surface of darker realities and where intelligence men, confused by the deadly gambits they have designed for others, often end up fooling themselves. In this context, perhaps the most interesting question is how the CIA's formidable covert operation inside Pakistan began.

According to a source who was present at the encounter, the first significant face-to-face contact between the CIA and the Afghan mujaheddin occurred in May 1979 in Peshawar, Pakistan. The timing of the meeting is of some significance. It occurred more than six months *before* the Soviet invasion of Afghanistan and just one month after the execution of Pakistan's Prime Minister, Zulfiqar Ali Bhutto.[4]

The meeting established the first lines of American supplies to Afghan resistance groups, which at that stage barely existed as an anti-Communist fighting force. The pro-Soviet government in Kabul was just a year old, but, at the urging of Zbigniew Brzezinski, National Security Adviser in the Carter administration, Washington decided to open a front of "low intensity warfare" against the new Afghan regime. According to Brzezinski's memoirs, he pushed a decision through the Security Coordinating Committee (the "action organ" of the National Security Council) "to be more sympathetic" towards the resistance to the communist Taraki regime in April 1979—eight months before the Soviet invasion.[5] This account has also been confirmed by a former official of the Carter White House in an interview with this writer.[6] A month after Brzezinski's effort within the NSC's Coordination Committee, a special emissary from the CIA arrived at Peshawar in northwest Pakistan.[7]

The scale of American involvement at this stage could hardly justify Brezhnev's subsequent brutal blunder into Kabul on 27th December 1979, which the Soviet Foreign Minister, Edward Shevardnadze, condemned before the Supreme Soviet in October 1989 as an illegal and immoral act. But what is also significant is how a group of Afghan exiles with a particular history was selected to meet with the CIA's special emissary in Peshawar in the spring of 1979. The choice of contacts would have an enormous and fateful influence upon the course of the Afghan war over the next decade. The intermediary for the CIA's liaison with these particular Afghans was Pakistan's Inter-Services Intelligence (ISI) organization and retired Pakistani military officers who had their own special relationship with the Afghan exiles.

The Afghans who met the American CIA officials were longstanding Pakistani intelligence "assets." For five years they had worked with Pakistan's intelligence services. But until this fateful meeting, they had never been part of a global operation. Until that day their utility had been confined to a strictly localized gambit conceived originally by Pakistan's

former Prime Minister Zulfiqar Ali Bhutto. Never more than bit players in a regional dispute, they were suddenly being cast for the lead role in a broader, more deadly "great game" that, in the end, would last a decade.

The first part of the story begins in 1973 when Afghanistan's King Zahir Shah was overthrown by his Prime Minister and cousin, the late Mohammed Daud, who declared a republic and ended the monarchy. Daud's ascent to power in 1973 not only sent a new wave of conservative and Islamic fundamentalist opposition into exile in Pakistan, but initiated one of the most significant covert operations ever undertaken by the Pakistani government.

In 1973 Bhutto's new Pakistan People's Party (PPP) government was deeply concerned about Daud's rise to power in Kabul. In 1963 Daud had resigned after ten years as King Zahir Shah's premier, quitting over the Pushtunistan issue. The problem of Pushtunistan and the uncertainty concerning the Afghan-Pakistan boundary known as Durand Line had dominated relations between these two countries since the foundation of Pakistan in 1947. Afghanistan had never recognized the line drawn in 1893 by a British official, Sir Mortimer Durand, as a permanent boundary. The Durand Line had simply delineated zones of influence and responsibility--a buffer to a buffer--and from the Afghan point of view was not acceptable as an international frontier since it sliced in half the areas of Pushtu-speaking peoples of the region.

The more Afghans demanded the right to self-determination for the Pushtuns in Pakistan, the more frequently Pakistan closed overland transit rights for cargo to landlocked Afghanistan. In 1963 Prime Minister Daud had resigned following two years of crisis after the Pushtun issue had resulted in closed borders and severe economic losses for Afghanistan. Others in Kabul's ruling royal circle were not prepared to press the dispute beyond a certain economic point. With Daud's return to power in 1973 and Pakistan's recent trauma in losing East Pakistan, Zulfikar Ali Bhutto's government feared a resurrection of the Pushtunistan dispute. It prepared a counter-plan with specific objectives in mind.

According to a former high-level military official in the first Bhutto government, in 1973 Pakistan drew up a "forward policy" on Afghanistan in anticipation of a revival of the Pushtun issue. Between 1973 and 1977, Bhutto's administration clandestinely trained a military force of 5,000 Afghan opponents of the Daud government at secret camps in Pakistan. The

operation was directed by General Nasrullah Babar and administered covertly through the Frontier Corps, a paramilitary formation distinct from the Pakistan Army.[8]

The objective of the operation was two-fold: first, to "neutralize" any pro-Pushtunistan intentions of the Daud government by creating an armed force which could deliver a tit-for-tat response to any provocation the Kabul regime might initiate; second, to bring Daud to heel on the question of the disputed Durand Line. If he would not agree on the line as an international frontier, then Pakistan was prepared to give clandestine support to a full-scale armed insurrection against his new, unstable Afghan republic.

The moment for action came on July 21, 1975, when insurgency erupted in the Panjsher valley, a region north of Kabul inhabited mainly by the Tajik tribe. The leader of this uprising was Gulbuddin Hekmatyar, the leader of the militant Muslim party, Hezb-i-Islami. According to Louis Dupree, an American specialist on Afghanistan, the Panjsher incident was "an event . . . which shook the complacency of many in the [Kabul] power elite. . . [However] a general uprising did not take place, for the people refused to believe the announcement by the insurgents that a 'godless communist-dominated regime' ruled in Kabul."[9] Afghan army forces managed to suppress the insurgency quickly with local assistance. Of those captured, 93 were brought to trial, three were executed, and sixteen acquitted, while others received varying prison sentences. Those who were not captured fled back to Pakistan.

While Gulbuddin's supporters insist that they began their armed straggle against "kafir" (infidel) elements in 1975, high-level military and civilian officials of the former Bhutto government with direct knowledge of clandestine operations against Afghanistan tell a different story. These officials claim that Hekmatyar and his associates were under the direct command and control of the Bhutto government in Pakistan. Supplies, finance, and the timing of the Panjsher incident were decided by the Pakistani authorities. According to former Bhutto government sources, the creation of the 5,000 strong clandestine force in 1973 was an independent Pakistani operation. It was carefully organized at the time under General Babar outside the formal authority of the Pakistan Army and the ISI. But most significantly, the primary objective of the operation was achieved.

Within a year Daud was willing to make a momentous bargain with the Bhutto government. In 1976 the Shah of Iran and Bhutto began a series of

negotiations with the Daud regime. Less than a year after the Pakistani-inspired and financed insurrection in Panjsher, Bhutto and Daud exchanged visits. In an extraordinary reversal, Daud appeared willing to accept the Durand Line as an international boundary in exchange for Pakistan's commitment that it implement the regional autonomy guarantees of its 1973 constitution. There was, moreover, an understanding that Daud would not allow Baloch insurgents to operate out of Afghanistan and Bhutto would release the National Awami Party (NAP) officials who had been imprisoned since 1973 when his detention of its leadership in Balochistan had set off an insurrection in that province.[10]

The carrot of the agreement was a massive Iranian aid program for Afghanistan. The Shah committed himself to nearly U.S. $3 billion in aid for Kabul--more than the total foreign aid Afghanistan had received from all donors in the previous 30 years. The aid package included a commitment to build a rail line south from Kabul through the cities of Kandahar and Herat to the Iranian border, indirectly linking Afghanistan to the Gulf ports and thus ending Afghan dependency on trade via Soviet or Pakistani territory. The Shah's interest symbolized his vision of a Southwest Asian regional trade area under Iranian economic preeminence.

On the Pakistani side the stick remained. It was implicitly understood that should Kabul go back on the new agreement about the Durand Line and Pushtunistan issues, Pakistan would be prepared to unleash the same exiled Afghan forces it had used in the Panjsher valley in July 1975. If, on the other hand, Daud was prepared to live up to his commitments, Bhutto promised that Gulbuddin Hekmatyar and his fellow exiles would be kept in retirement. They had served their purpose and would now either have to come to terms with Kabul or settle down in exile--this time, however, without Pakistan's financial largess.[11]

Daud signaled that he was ready for an agreement and a settlement was initialed in late 1976. Bhutto insisted that a formal announcement of the historic agreement wait until after Pakistan's general election, which had been planned for March 1977. This much sought after denouement, however, was never to arrive. General Zia ul-Haq's *coup d'etat* in July 1977 toppled Bhutto's government and aborted the final settlement.

Great uncertainty descended upon the small Afghan exile army wandering the environs of Peshawar in northwest Pakistan. Its future looked bleak and there appeared to be no potential sponsors on the horizon. The

agreement Bhutto had made with Daud would undoubtedly prove useful to Zia or any successor government. Suddenly, in April 1978, salvation for the exiles arrived in the form of the communist *coup d'etat* against Daud's government in Kabul. There was hope that new patrons might be found to finance and arm a fresh guerrilla enterprise.

However, in this period prior to the Soviet invasion, General Zia was struggling through a complicated relationship with the Americans. Inside the Carter administration he had both loyal friends and intense enemies. In the month immediately after the *coup d'etat* against Bhutto, Zia began to breach certain important understandings which had been worked out with the United States with respect to new elections. In this effort he was supported by elements within the U.S. administration such as Zbigniew Brzezinski, President Carter's National Security Adviser, who viewed Zia's continuation in power as preferable to a new and free election which might restore the unpredictable, frequently unfriendly, nationalist Bhutto to power. But Brzezinski and other Zia loyalists did not yet have the upper hand, even though their position was strong.

Carter's Secretary of State, Cyrus Vance, wished to see Zia step aside and allow free elections, even if Vance himself may have hoped a party and a candidate other than Bhutto might emerge as the victor. After Bhutto's execution, Vance did not relent and in the summer of 1979, despite Brzezinski's disagreement, enormous economic and political pressures were brought to bear upon Zia to hold elections, where the most probable candidate in a field without Bhutto was Air Marshal Asghar Khan. By autumn the pressures were rising and Pakistan's economy went to the wall. Foreign exchange reserves were depleted.[12]

A rather obscure, emerging bank, known as the Bank of Credit and Commerce International (BCCI), aided the generals at this crucial juncture with a reported $300 million dollar short term loan against collateral on that year's rice export crop and a foothold into Pakistan's oil refining industry. As the decade advanced BCCI would play in increasingly significant financial role on behalf of the military regime's clandestine trading in arms, nuclear acquisitions, and narcotics. In 1977, however, BCCI's nascent structure had limited capability in staving off pressure from the regime's enemies in the Carter administration.

Zia, meanwhile, made desperate efforts through Ms many friends in Washington to prove his worth as a cooperative partner for U.S. strategic

interests in the region. It was in this context, a month after Zulfikar Ali Bhutto's execution in April 1979, that the visit of the CIA's special emissary to Peshawar was arranged and the first thin pipeline to an Afghan insurgency was laid. At the time no one could possibly conceive that this visit would mark the beginning of the largest American covert intelligence operation since the Vietnam war. The Soviet Union's December 1979 invasion of Afghanistan was still seven months away. Only Leonid Brezhnev's capacity for absolute catastrophe was capable of squelching Zia's antagonists in the Carter government.

The Americans now required in Pakistan what is called a "cut out" in the world of covert intelligence. Like a child who draws a shape and then carefully cuts along the edge of the image with a scissor, so it is with intelligence services. They prefer to operate through a shape, a form, or a design which has been "cut out" and is capable of fitting over an operation like a shield. Such a device creates invisibility and provides the pretext for one power to "plausibly deny" the actions which it is pursuing against another. In Pakistan, the CIA found what it believed to be the most perfect of "cut outs"--the ISI.

It was a proper marriage or mutual interest. Zia's ISI ottered not only its management services for a war on Pakistan's frontier, but also provided the Afghan intelligence "assets" Pakistan had nurtured in the Bhutto years. It was for the ISI, and for a narrow privileged strata of the Pakistan armed forces, a unique opportunity. The ISI had the chance of working intimately and on a grand scale with the largest intelligence organization in the world--the CIA. While its annual budget had never exceeded a few million dollars, the ISI would soon become the conduit for at least two billion dollars worth of supplies, cash, and weapons. With such an infusion of resources, it would acquire unparalleled power as an internal security agency, and the size of its organization and manpower would grow astronomically.

Enormous opportunities for personal corruption would open up for those who would come to control the day-to-day operation of the pipeline. Whatever difficulties Zia ul-Haq had experienced during the last years of the Carter Administration were replaced by a new measure of intimacy under Reagan. In Afghanistan's shadow, the General's sins against democracy which had given Carter pause in 1979 were of little relevance. Even his pursuit of Bhutto's nuclear ambitions tended to be overlooked. The Afghan operation which had begun under Carter seven months prior to the

Soviet invasion now became the domain of Reagan's rearmed covert warriors. William Casey, Director of the CIA, was to claim that the Afghan operation was "the most important one he had inherited from Carter".[13] In turn, Zia ul-Haq became one of the most prized American "assets" in a region where the United States had few openly loyal associates.

The relationship ultimately contained a dimension with implications far beyond the Afghan war. According to a little-noticed story by Bob Woodward in *The Washington Post*, one of whose sources appears to have been the CIA Director himself, Zia offered levels of cooperation which went well beyond the open channel to the Afghan resistance. Both Zia and Casey sought to deepen the bargain between the intelligence agencies of the two countries by deepening the level of their cooperation. Soon both parties would become linked in a delicate relationship of reciprocity. For Zia this strategic collaboration offered a means of consolidating his own position by enhancing his usefulness to the Americans.

According to woodward's story, Zia offered tne United States strategic electronic listening facilities in Pakistan's northern territories—believed to be either Gilgit or Chitral—to monitor Soviet ICBM (Intercontinetial ballistic missiles) and ASAT (anti-satellite) missile launches. On October 3, 1987, a curious incident took place which was not mentioned by Woodward. Two Soviet MI-24 helicopters landed in the Usach area of Markho Tehsil, Mastuj subdivision of Pakistan's Chitral district. Although the official story was that they had wandered off course and run out of fuel, it appears that they were forced down. Reports in the Pakistani press revealed that the six-man crew, commanded by Major Yevgeni Nicolai, were part of a special KGB brigade based in Alma Ata in the Kazakh Republic of the Soviet Union. It was also reported that among the crew were Spitznaz soldiers from Soviet special forces' units. At the time of the incident, the Pakistan foreign office claimed the men were on a mission to survey the area around Siachen Glacier, where clashes had taken place between Indian and Pakistani forces.

But it appears that the real objective of the KGB mission was to pinpoint and possibly destroy an American electronic intelligence facility which the Soviets believed was in the Chitral area. Having been forced to land on Pakistani territory, the Soviet soldiers destroyed their aircraft before they were taken into custody. Rather than conducting a detailed inquiry which would have involved holding on to the men, Pakistan appeared anxious to

resolve the incident as quickly as possible so as not to draw greater attention to the matter. Within three days all six crew members were handed over to the Soviet embassy in Islamabad after a brief press conference at Pakistan's Foreign Office. The release of the crew of the aborted Soviet mission appears to have occurred with each side agreeing not to reveal the true details of the actual affair.[14]

There was another, even more covert, dimension to the U.S.-Pakistani relationship. In 1991 the story broke that during the 1980s Pakistan had played a clandestine role in the Iran-Contra affair. According to Pakistani and Israeli intelligence sources, Pakistan was utilized as an important conduit for the sale of hundreds of millions of dollars of American made weapons to Iran. Former and serving government officials from Pakistan and Israel described how the $2 billion dollar supply network established to provision the Afghan resistance was exploited as a source of weapons and funds.

According to these accounts, Pakistan functioned as a secret "back door" for a supply operation into Iran which vastly exceeded in scope and scale the known dimensions of the so-called Iran-Contra operation which came to light in 1986. A former officer in a special intelligence unit of the Israeli Defense Force (IDF) claimed that for three years an Israeli military logistics and advisory team was stationed secretly in Pakistan with the cooperation of the government of Pakistan in order to manage the shipment of hundreds of millions of dollars of arms into neighboring Iran.

At the same time the Israelis were also reportedly working clandestinely as trainers and advisers to Afghan *mujahideen* groups, in particular the Hezb-i-Islami led by Gulbuddin Hekmatyar. Two Pakistani intelligence sources with direct knowledge of particular phases of the operation described to this writer how vast quantities of arms were transported to Iran from special depots in Pakistan during the 1984-86 period. Neither official could give an accurate quantitative measure of the total value of the shipments, but one of the sources with excellent contacts in the Pakistan Army asserted that "crores [tens of millions] of dollars worth of weapons were shipped to Iran from army depots in this country."

This official said that he had "personally observed the loading and shipping of weaponry to Iran," but that what he had observed "was only part of a larger operation taking place from different locations in Pakistan." He had witnessed with his own eyes "truck load after truck load going into Iran

with arms." The former intelligence official described it as "one of Pakistan's biggest secrets." The principal mode of transport was overland across the Pakistan-Iran border. The National Logistics Cell (NLC), a special agency under the command of the Pakistan Army, was utilized as the main carrier.

A third Pakistani source--a prominent personality in Pakistan's Shia community with close associations with both the Iranian government and with Pakistan's Inter-Services Intelligence (ISI)--confirmed to the author that a group of Israeli military officers were present in Pakistan during 1985. Although Pakistani sources were reluctant, for reasons of personal security, to be identified on the record, their accounts were consistent with the testimony of Ari Ben-Menashe, a former Israeli military intelligence official who claims to have traveled to Pakistan in 1985 to supervise the transshipment of a substantial consignment of weapons to Iran.[15]

In 1984, Ben-Menashe claims, he met General Fazle Huq, a leading figure in General Zia-ul Haq's military regime, for the first time in London. By this stage Fazle Huq had become the dominant military figure in Pakistan in charge of operations linked to Pakistani support for the Afghan resistance. Ben-Menashe says he had a number of meetings with Fazle Huq in London and subsequently in Peshawar in order to work out the logistical requirements for a huge shipment of weapons to Iran using the Pakistani route.

Ben-Menashe maintains that from the early 1980s he was one of a six-member Joint Committee--comprising representatives from every major organization in the Israeli intelligence community--set up to organize the systematic, clandestine supply of Iran in its war with Iraq. The Israeli assessment was that Iraq represented a serious military threat to Israel and therefore Iran, whether Islamist or royalist, was Tel Aviv's strategic ally against Iraqi regional ambitions. In the autumn of 1985, Ben-Menashe claims that he arrived in Peshawar on behalf of the Joint Committee to coordinate an arms shipment to Iran which had special requirements and stayed with other members of an IDF logistics team at the Park Hotel using false passports. He insists that the visit was fully coordinated with the Pakistan and Iranian governments.

Several million dollars worth of weapons from the 1985 shipment were handed over to Afghan mujahideen groups according to Ben-Menashe, but the remaining balance, making up most of the $300 million dollars worth of

equipment, was shipped to Iran from Pakistan. The Iranian government, eager for supplies, readily agreed to the arrangement, Ben-Menashe says, and paid the full bill.

The most intriguing yet intricate factor about the 1985 operation is Ben-Menashe's assertion that the arms were paid for *twice*, generating an "off-the-books" surplus of $300 million dollars. In the first round the arms were paid out of appropriations authorized by the U.S. Congress for military aid to the Afghan rebel groups. On this basis weapons were shipped to Pakistan for delivery to the mujahideen. Yet, according to Ben-Menashe, in August 1985 the Iranian government deposited $300 million dollars into Israeli-controlled accounts in Luxembourg. Within two months the shipment for the Afghan rebels had been diverted to Iran via Peshawar. By October 1985 the entire consignment had crossed Pakistan's border into Iran under the watchful eyes of an Israeli logistics team.

Ben-Menashe asserts that the 1985 operation was not a rogue covert operation thought up by three of the oddest bedfellows of West Asia--Israel, Pakistan, and Iran. "The issue was that our American friends needed this money," he says. "This was planned with the Americans. This whole thing started in 1984, but it came to fruition in the second half of 1985. This was the first major attempt to create funding for those people in the American intelligence community linked to the Contras."

With respect to the Pakistan connection to the Iran-Contra affair, it has been possible to corroborate some, but not all of Ben-Menashe's claims. Pakistani intelligence sources did confirm to the author that significant quantities of weapons designated for the mujahideen were diverted to Iran. Other knowledgeable sources in Pakistan with close contacts with the Iranian regime and with Pakistan's own intelligence community confirmed the presence of a secret Israeli military delegation in Islamabad during 1985. The more difficult question concerns the issue of whether funds appropriated by the U.S. Congress were illegally diverted from the Afghan aid program and whether it is possible to verify such claims independently.

In 1987 the *Far Eastern Economic Review* reported serious allegations in Washington that only $390 million dollars of $1.09 billion appropriated by Congress for the CIA Directorate of Operations between 1980 and 1986 to support the anti-Soviet mujahideen had actually reached them. According to the *Review*, "allegations that U.S. $700 million in aid earmarked by the U.S. Congress for Afghan rebels has disappeared-and that there may have been

attempts to divert some of the money to the Nicaraguan Contras--are to be investigated by both Congress and the government. "[16]

The issue briefly resurfaced during the Iran-Contra hearings when it was revealed that a special Swiss bank account set-up by the CIA in 1985 for the Afghan rebels had received deposits from the sale of weapons to the Iranians. According to *The Washington Post* of 13 January 1987, "millions of dollars generated by the sales to Iran had vanished [from the Swiss account] after being disbursed to arms dealers and other middlemen."[17]

Two years earlier, *The New York Times* reported that former Congressman John LeBoutillier had been told by Jonathan Jay Pollard that there was clear evidence that the CIA was diverting Afghan funds to support the contras. Pollard, a U.S. Naval Intelligence specialist, was arrested in 1985 on charges of spying for Israel and was later convicted and sentenced to life imprisonment. LeBoutillier, a Republican from New York, said in a 1992 interview, when "he [Pollard] claimed to me that funds were being diverted from the Afghan rebels to the contras I felt he had very solid information and that he clearly knew what he was talking about. He was adamant that funds were being diverted. . . . I believed Pollard. And, he made his statements to me before the Iran-Contra diversion was public knowledge."[18]

In light of subsequent statements by both Pakistani and Israeli intelligence officials who claim first hand knowledge of diversions of Afghan weapons to Iran and the use of profits from those sales, Pollard's statements appear to represent further verification. At the very least, it would be highly coincidental that serving or former intelligence officials in three countries--Pakistan, Israel, and the United States--with no direct knowledge of each other's statements would independently testify to the same facts.

The alleged diversion and the scale on which it reportedly occurred raises new questions concerning the political level at which such an operation would have been organized. In this context Zia's very close relationship with William Casey, Director of the CIA in the Reagan Administration, takes on new significance. In the aftermath of U.S. Congressional inquiries into the Iran-Contra affair, Casey emerged as the *eminence grise*, indeed the principal architect, of a number of illegal "off-the-books" intelligence operations which occurred without Congressional authority.

Bob Woodward of *The Washington Post*, in his book *Veil: The Secret Wars of the CIA 1981-87*, describes the exceptionally close relationship which developed between the CIA's Director Casey and Zia. "Casey, the CIA and the Reagan Administration all wanted Zia to stay in power and needed to know what was going on in his government. The CIA station in Islamabad was one of the biggest in the world," writes Woodward. "[Casey] made certain to visit Pakistan's Zia once or twice a year. Soon he had the closest relationship with Zia of any member of the Reagan Administration. So when Zia wanted assistance from the United States or just needed someone to listen, his avenue was Casey."[19]

As part of this relationship Zia's regime opened up Pakistan Air Force facilities to U.S. military intelligence aircraft engaged in submarine surveillance in the Gulf and Indian Ocean-a theater somewhat tangential to the immediate requirements of mountain warfare in the Afghan conflict. The regular use of Karachi's Mauripur air base by American P-3 Orion aircraft was disclosed by this writer in 1986.[20] This was the first access allowed to the U.S. military since a U-2 flown by Gary Powers had been shot down over the Soviet Union after takeoff from Peshawar. The government of Zia ul-Haq was gradually moving towards a close co-operative arrangement with the U.S. Central Command (CENTCOM) where, among other arrangements, Karachi would become a normal port-of-call for American naval vessels and a resupply and repair facility for the regional fleet.[21] However, if the allegations of a weapons diversion are correct, then perhaps one of the most important favors Zia did for the late William Casey was to open Pakistan as a secret "back door" for the covert movement of hundreds of millions of dollars of arms into Iran.

The intricate web which developed between American intelligence agencies and their Pakistani counterparts soon created a conflicting agenda. It was an agenda which many Afghans and Pakistanis had warned the United States against. The U.S. course of action was far from the only one available. As the narcotics trade developed in the shadow of war, and powerful heroin syndicates came under the protection of senior military officials, the United States would have to live with its Faustian enterprise.

Afghan Guerrilla Groups

The Afghans who had taken up arms against the Soviets within their own country, or who fled to Peshawar in search of refuge and military equipment, were confronted with an organizational "fait accompli." Pakistan's ISI insisted that all exiles had to function through one of the established rebel formations. Many Afghans balked at the condition. These newer resistance leaders were supposed to subordinate themselves to those who had taken up arms against the pre-1978 governments of Zahir Shah and Mohammed Daud which many of the post-1978 exiles had supported or accepted as legitimate regimes. This conflict between the pre-1978 and the post-1978 exiles would never disappear.

While Pakistan permitted a few additional organizations to be formed to accommodate prestigious Afghan figures such as Pir Sayyid Gailani, the ISI focused its training and funding around the "pre-1978 nucleus" which had collaborated with Pakistan's intelligence services for five years prior to the Soviet invasion. Into this nucleus flowed the lion's share of CIA sponsored weapons and supplies, particularly to ISI client Gulbuddin Hekmatyar. In May 1990 *The Washington Post* rather belatedly acknowledged in a front page story that the "U.S. [was] failing to act on reports of drug trafficking by Afghan rebels [and] Pakistanis." Two years earlier this correspondent had published an in-depth inquiry into the links between specific mujahideen groups, the ISI, and the illegal narcotics trade.[22]

The Post identified Hekmatyar as a principal transgressor, stating that "Afghans, including Mujaheddin guerrillas, have given U.S. officials firsthand accounts of heroin smuggling by commanders under Gulbuddin Hekmatyar, a guerrilla leader with close ties to the Pakistani military . . . Afghans in Pakistan have given U.S. officials accounts of extensive heroin smuggling by commanders under Hekmatyar, who has received tens of millions of dollars in U.S. weapons and supplies over the years. [The] ISI, which favors Hekmatyar over the other Afghan guerrilla leaders, has tunneled the largest share of outside [CIA] aid for the Afghans to Hekmatyar's Islamic Party."[23]

Yet, from the very beginning, the United States was fully cognizant of the distribution structure established by the ISI and also knew that access to these immense resources fostered a form of warlordism within the Afghan resistance command. As early as 1978 and 1979, resistance fighters from the internal fronts of Nuristan, Hazarajat, and Kunar accused Gulbuddin Hekmatyar's supporters of using violence to establish the party's political

hegemony over other rebel groups. In one of scores of incidents recounted to this correspondent during a 1980 journey, Hekmatyar's supporters were alleged to have killed 10 members of Burhannudin Rabbani's group in the Parachinar area in December 1978. This was more than a decade before the Takhar massacre where the Hezb-i-Islami is reported to have slaughtered 30 Jamiat-i-Islami men.

Similarly, in 1980 when the entire Afghan army garrison at Asmara in the Kunar valley under Colonel Abdur Rauf deserted "en masse" to the resistance, Hezb-i-Islami representatives demanded that Rauf join their organization and fight under their banner. Rauf refused, saying that while he was joining the revolt against the Kabul authorities, he would not join a specific political organization before acquainting himself with all the groups. Rauf and his men suddenly found themselves under attack from armed Hezb-i-Islami units. When this correspondent met with Rauf in late 1980, the colonel bitterly condemned Hekmatyar. This incident occurred nearly a decade before the 1988 massacre of the 74 Afghan army soldiers who defected at Torkham to the Pakistan Army and were then killed after having been handed over by ISI liaison men to Yunus Khalis, a close associate of Hekxnatyar.

Reports on these early practices were published at the time.[24] Similar descriptions of killings and assassinations emanating from the "pre-1978 nucleus" have appeared in the western and Pakistani press for nearly a decade. Organizations such as Asia Watch and Amnesty International have also reported on human rights violations among the Mujaheddin. Many Afghans like Dr. Sayd Majrooh attempted at their own peril to alert the United States to the consequences of such a policy.[25]

The European policy on aid to the mujaheddin was not defined by such apparent naivete or deliberate blindness. According to European diplomatic sources, in 1985 the then director-general of the ISI, General Akhtar Abdur Rehman, approached the French ambassador and insisted that French aid to the mujaheddin be directed through ISI channels. General Akhtar objected that organizations funded by the French government were sending supplies from Peshawar directly to Masoud's resistance fighters in the Panjsher valley.

Masoud had broken away from the original "pre-1978 nucleus" and refused to take orders from the ISI, insisting that all his commanders maintain bases inside Afghanistan away from the corruption of Peshawar.[26]

Among his own men he argued for the "sovereignty" of the Afghan resistance. The French ambassador, who had his own memories of fighting the German occupation of France, is reported to have told General Akhtar that the ISI's distribution of supplies was unbalanced and manipulative. He insisted that France would continue to fund organizations by supplying Commander Masoud and others like him. Furthermore, France would make public any attempt by Pakistan to interfere with French intentions on this matter.[27]

During the high tide of the Afghan guerilla war in the early 1980s, neither the White House nor the U.S. Congress was willing to entertain any reports of human rights violations or corruption by their chosen mujaheddin and Pakistan clients. For similar reasons, the United States chose to ignore growing evidence of large-scale heroin trafficking by its allies in the ranks of the Pakistan military and the Afghan resistance. While U.S. officials were silent on the subject at the peak of the resistance war, a number of prominent figures in the less-favored Afghan resistance groups were highly critical of the links which had developed between the heroin trade, senior figures in the Pakistan government, and Afghan exiles who were used as intermediaries in narcotics smuggling between Afghanistan, the North West Frontier, and Karachi. But given their vulnerability as refugees in Pakistan and their dependence as exiles on resources channeled through the Pakistan government, they were not in a position to speak out publicly.

The most articulate critic was Dr. Sayd Majrooh, Director of the Afghan Information Center in Peshawar, who was assassinated in February 1988. Dr. Majrooh had been chairman of Kabul University's Department of Philosophy before the Soviet invasion. He is widely believed to have been killed by extremist elements under the command of Hekmatyar's Hezb-i-Islami party. A report issued in February 1989 by Asia Watch, the American-based human rights organization, cited substantial evidence that the murder was carried out by the intelligence organization (*Istakhbarat*) of Hekmatyar's Hezb-i-Islami, and that Pakistani police were dissuaded from following up existing leads.[28]

On a number of occasions before his death Dr. Majrooh spoke with this correspondent and expressed his dismay over the identification that Afghans were gaining in relation to narcotics smuggling.[29] According to a 1988 DEA report: "Much of the opium and heroin originating in Afghanistan is transported to Peshawar via tribal areas adjacent to the

Afghan border . . . large amounts of opium and heroin are smuggled into Pakistan across the Afghan border . . . Some Afghan refugees are involved in the heroin trade as opium poppy growers, opium stockists, manufacturers, middle men or international traffickers."[30]

Dr. Majrooh was very critical of the view that American officials had to turn a blind eye to the narcotics trade in the midst of Afghanistan's civil war. He argued that any Afghan or Pakistani, no matter how prominent, should be subject to arrest if evidence existed that they were linked to the trade. He maintained that whenever any resistance elements were drawn into the narcotics trade, particularly when induced to do so by their Pakistani patrons, it weakened the Afghan cause.

Dr. Majrooh felt that the heroin explosion was highly corrosive within the Afghan resistance. It was his view that there ought to be no "conflicting agenda" between U.S. support for the mujaheddin and the suppression of the narcotics trade. However, his was a voice in the wilderness. He would only speak off the record on the subject. The danger of a clear public position was evident. Only half a mile from the office where he was killed is the palatial residence of Peshawar's leading heroin king, an intimate associate of a senior Pakistani figure, Lieut. General Fazle Huq, who for many years had great power over every Afghan exile on the North West Frontier.

The Pakistan Military and Heroin

Over the past decade allegations involving the Pakistan army and narcotics trafficking have moved closer and closer to that select cadre which have been most intimately involved in the "covert operation" in support of the Afghan war and its clandestine arms pipeline. The war nurtured an enormous illicit trade in arms and narcotics. Throughout the 1980s, the Pakistani press repeatedly noted the widely held belief that the principal conduit which supplied weapons to the Afghan resistance in the north was, in fact, one of the main routes which brought heroin to Karachi for transshipment to Europe and the United States. "It is really very simple," wrote *The Herald* in January 1987. "If you control the poppy fields,

Karachi, and the road which links the two; you will be so rich that you will control Pakistan."[31]

The CIA's pipeline for weapons to the Afghan mujaheddin was organized and coordinated by Pakistan's Inter-Services Intelligence (ISI). It was under the ISI's direction that weapons and supplies moved north by two principal means. One route utilized Pakistan Air Force transport. But the main carrier of supplies is an organization called the National Logistics Cell (NLC). It is the largest transport organization in the country and is wholly owned by the Pakistan Army. All drivers and leaders are Pakistan Army personnel and security is tight at its main installations.

According to reports that have appeared in a section of the Pakistan press, NLC trucks were used repeatedly in the shipment of heroin from the North West Frontier to the port of Karachi. In its September 1985 issue *The Herald* gave the following eyewitness report: "The drug is carried in NLC trucks which come sealed from the NWFP [North West Frontier Province] and are never checked by the police. They come down from Peshawar where they deliver their cargo, sacks of grain, to government godowns. Some of these sacks contain packets of heroin . . . This has been coins on for about three and a half years."

Quoting an eyewitness, the report went on to describe an incident that supports these allegations against the NLC. According to this report: "A few months ago, an NLC truck was involved in an accident near Thana Bula Khan. The driver was thrown out of the cab and lost consciousness. When he came to and found a number of people gathered around him, he became anxious. Not surprisingly, because when the trailer had overturned, a white powder spilled out all over the road."[32]

Similar accusations against the NLC were made in January 1988 by the former Sindh Provincial Minister for Excise, Murad Ali Shah. The minister demanded that the police be given the authority to search vehicles for narcotics, specifically those operating under the authority of the NLC. According to police sources, the NLC was strictly out of bounds. "If we want to investigate the NLC or military personnel who we believe may be involved in the narcotic trade we are told to 'keep out' by the Army," says a senior police official referring to his experience during the late 1980s. "If you pushed too hard, you ended up transferred. It's that simple. "[33]

During the 1980s, a new phenomenon developed within the Pakistan Army. A small, albeit powerful, narco-militarist faction emerged. But, it is

also very clear that among the officer corps and among the rank and file of the services a substantial 'anti-narco' faction has always existed. Yet, clearly during the years of Zia-ul-Haq this latter group did not have the upper hand.

Following Zia ul-Haq's death, Benazir Bhutto came to power in 1989 in a popular election and launched a serious but short-lived anti-narcotics effort. A cautious hope existed that Pakistan's new democratic authorities would discover the political will, commitment, and capability to attack the patronage which powerful narcotics syndicates had established to protect themselves. New and apparently uncompromised personnel were appointed to operational positions and a sequence of arrests and seizures began which were more than cosmetic. But Bhutto herself unwisely turned a blind-eye to senior officials in her own political party who had been compromised before and after the election by the country's narcotics syndicates.[34]

By the time Bhutto was abruptly removed from power in 1990 by Pakistan's President, Ghulam Ishaq Khan, in a "constitutional *coup d'etat*," her anti-narcotics drive had dissipated. Ishaq Khan, who had acted with Army backing under his formal authority as President, had himself kept a stiff upper-lip a few years earlier when his own relatives were arrested in North America smuggling heroin.

Long ignored by the American press, a detailed review of several of Pakistan's key heroin cases is still essential if we are to have a clear idea of how heroin became such a corrupting factor in Pakistan's political culture in a single decade.

The Norwegian Connection

The most revealing and dramatic of these heroin cases began in Oslo in December 1983, when a smuggler named Raza Qureshi was arrested at Foraebu Airport with 3.5 kilos of high-grade heroin. It was not his first run as a courier. Soon after his arrival in an Oslo prison cell, Qureshi began speaking into a tape recorder describing the details of a syndicate which would ultimately lead to the doorstep of the President of Pakistan, Zia ul-Haq.

Following his arrest, police told Qureshi the hard tacts of Norwegian prison life. He faced a fifteen-year prison sentence without remission. If he

cooperated with police to uncover the principals behind the heroin syndicate he worked for, he would be sentenced to ten years with the prospect of release after five years. Qureshi decided to cooperate. He led the police to a Norwegian contact, George Trober, who had been working with several Pakistan-based syndicates.

Over the next year Qureshi set up several courier runs from Pakistan under police surveillance. Phone calls back and forth to Pakistan making arrangements and transfers were taped by Norwegian police. In the summer of 1984 Norwegian and Swedish police arrested three more Pakistanis carrying heroin for the Nordic and German markets. But the Norwegians were after bigger fish. They wanted not the minions, but those in Pakistan who stood behind the couriers. In the summer of 1984, a determined Norwegian police officer, Oyvind Olsen, arrived in Islamabad. For the next year he worked to identify and break the syndicate behind Qureshi's operation in Oslo. Back in Norway, an equally determined young journalist, Arild Jonassen of the newspaper *Aften Post* began a relentless pursuit of what the Norwegian press came to term the "Pakistan League." The intense press campaign in Oslo kept the pressure on the Norwegian government to hit the "League" and its sources.

In May 1985, Jonassen dispatched a telex directly to Pakistan's President, Zia ul-Haq, describing the conviction of Qureshi in Norway and pointing out that during Qureshi's trial three leaders of the Pakistan based-heroin syndicate had been identified. In his telex to Zia, Jonassen asked why these individuals were "still living as free persons with good positions in the community" when they were playing a significant role in the illicit heroin trade to Europe. Jonassen stated that the Norwegian state prosecutor could prove that die men named were the "top leaders in these organization." Indeed, as Jonassen indicated, the Norwegian authorities had, through their Drug Liaison Officer, provided documentation nine months earlier to the Pakistan Foreign Office identifying these three.

In his telex Jonassen identified two of these names, Tahir Butt and Munawar Hussatn. A third, more significant name, was not mentioned in the telex, although Jonassen referred to his prominent position in the Habib Bank of Rawalpindi, Pakistan. Jonassen described how plans had been unearthed in Norway to kill two of the Norwegian police officers working on the case. Pointing out how serious the case had become in Norway, the

journalist concluded his cable to General Zia asking: "My question is why has nothing happened?" The Norwegian reporter received no reply to his telex or his request for an interview with the General.

In Pakistan, meanwhile, the Norwegian police officer Olsen kept the pressure on the country's Federal Investigation Agency (FIA). Progress was slow until September 1985 when the Norwegian Public Prosecutor, Kristan Nicolaisen, in an official request to the Director of Pakistan's Federal Investigation Agency, asked for the arrest of three men--Tahir Butt, Manawar Hussain, and Hamid Hasnain. The Norwegian prosecutor's letter identified these individuals as "standing behind the drug traffic from Pakistan to Norway." The letter cryptically added that in the course of the Norwegian investigation "other names are mentioned too, but as far as the Norwegian investigation is concerned, the above names are the most involved." On October 27, 1985 with Norwegian police standing in the wings, three teams of FIA police made the arrests in Rawalpindi and Islamabad.

According to European and Pakistani police sources, the FIA officers who arrested Hasnain, a Vice President of the Habid Bank, reportedly found the personal bank records of Pakistan's President General Zia in his briefcase--including cheque books and bank statements for the President, his wife, and their daughter. At the time of his arrest Hasnain is reported to have threatened the police officers with dire consequences. According to several independent sources, the night Hasnain was arrested, the wife of General Zia ul-Haq, Shafiqa Zia, who was traveling in Egypt, telephoned senior officers of the FIA demanding to know why Hasnain had been detained. Begum Zia insisted upon Hasnain's release.[35]

At this point accounts diverge but all agree that the General called senior FIA and police officials to explain their actions. Some sources report a stormy confrontation. However, the arresting officers interviewed by this correspondent assert that General Zia made no personal threats against them as had been claimed in some quarters.

According to the arresting officers, they explained to the President that the intense interest of the Norwegian press and government made the arrests quite unavoidable. A formal request from the Norwegian State Prosecutor could not be ignored without potentially damaging consequences -- particularly when a Norwegian police official was present in Pakistan and would not let go of the investigation. But, perhaps most important,

Norwegian sources claim that the police were unaware of the relationship between the President's family and Hamid Hasnain.

This connection came as a complete surprise to the Pakistani officers who made the arrest. They thought they were merely pulling in some obscure banker whom the Norwegians would not stop bothering them about. Had they known of the link, Norwegian pressure probably would not have induced Pakistan's FIA toward such a risky arrest. The Norwegians were lucky. At the moment of Hasnain was taken into custody Pakistan's FIA was simply unaware of the connections behind the syndicate the Norwegians wanted broken. They would soon be well informed.

According to Pakistani police sources, Hasnain was virtually the "adopted son" of General Zia and his wife, Shafiqa. Hasnain's home was within walking distance of the president's residence, and Hasnain apparently had open security clearance for the General's house. The close personal relationship between the family and Hasnain appears to have developed in the early 1980s while Hasnain was posted at the Army GHQ branch of Habib Bank. According to those close to Hasnain, he handled all private banking matters for General Zia and members of his family for more than five years. Sources close to Hasnain claim this work included the management of the construction of at least one private residence for the President in Islamabad. According to these sources, all payments for the land and contractors were handled on behalf of the President from an account in Hasnain's name at Habib Bank. Numerous other transactions, both foreign and domestic, were managed by Hasnain on behalf of several of Zia's family.

Following the arrests of the three accused, the case moved ahead slowly. Ultimately, Hasnain was granted bail for "health reasons." The Norwegian authorities continued to press for a trial and offered to bring Raza Qureshi to Pakistan under Norwegian police guard to testify as a material witness. In June 1987, the trial proceedings, which had dragged on with what appeared to be deliberate delay, reached a critical point. A Norwegian delegation arrived which included Kristan Nicolaisen, the Public Prosecutor from Oslo; Oyvind Olsen, the police officer who for four years had pursued the case in Norway and Pakistan; and Raza Qureshi, the convicted heroin smuggler. Qureshi was kept under strict Norwegian police protection while in Pakistan.

When it came time for Quershi to testily at the trial, according to Norwegian sources present, virtual chaos broke out. As Qureshi took the stand to identify his collaborators in the heroin trade, the accused shouted open threats against his life. Norwegian appeals for decorum in the court initially had little effect. In their reports to the Oslo press from Islamabad, two Norwegian journalists, Arild Jonassen of *After Posten* and Tor Strand of *Verdens Gang*, described how the much awaited trial had turned into a "circus" and a "farce." The three principal accused--Butt, Nawaz,and Hasnain--were permitted to walk in and out of the court at will, and appeared confident that their "connections" would shortly secure their release.

On June 9, Hamid Hasnain gave an interview to Norwegian journalist, Tor Strand, which appeared the following day in the Oslo daily *Verdens Gang* under the headline "The man accused of being the main organizer of the Pakistan heroin league, bank chief Hamid Hasnain, was a close friend of President Zia ul-Haq and his family before he was arrested." According to Hasnain: "As bank chief of Habib Bank, I was responsible for the President's family bank account."[36] Following three days of raucous hearings, the Norwegian Prosecutor, Kristan Nicolaisen, informed the Pakistani authorities that the Norwegian delegation intended to withdraw from the proceedings and file a formal diplomatic protest. According to one Norwegian source, Nicolaisen told Pakistan's interior secretary that, in all his years as a prosecutor, he had never witnessed such a legal farce. Suddenly fearful of the possible international implications, the Pakistanis asked the Norwegians to delay their decision and promised that the strictest procedures for the case would be followed from that day onward.

Within two days, the presiding judge, Mohammed Aslam, canceled the bail of the accused. The defendants were clamped into handcuffs, death threats against witnesses ceased, and the Norwegians were able to present their evidence in a correct, legal manner. The trial was then rapidly concluded. Hasnain, Butt, and Nawaz received heavy prison sentences. Hamid Hasnain, once the "adopted son" of the President of Pakistan, was taken under armed guard to Rawalpindi Central Jail, a bitter, and by all accounts, an angry man. The "adopted son" of the President was disowned by the "father" when the "son's" clumsiness threatened the President himself. According to sources close to Hasnain, the young banker insists that he was

completely innocent and had been victimized for the crimes of others. His defenders claim that whatever he did, he was acting on behalf of others. Hasnain reportedly also handled the financial affairs of a number senior military figures in General Zia's innermost circles.

"In my personal and legal opinion Hamid Hasnain is innocent. He has been made a scapegoat," says Munir Bhatti, the Lahore lawyer who represented Hasnain at his trial. "The investigation was not properly conducted. The biggest smugglers involved in this case have not been unearthed. The FIA spoiled the case. The evidence was distorted. There was no justification for letting off the actual culprits which include senior personalities in this country. There was evidence in the case identifying such people."[37]

Indeed, according to sources close to Hasnain, Ejaz ul-Haq, General Zia ul-Haq's son, is reported to have contacted Hasnain in prison on several occasions in September 1988 within a month of General Zia's death. In conversations between the two, Zia's son is reported to have assured Hasnain that every effort was being made to assist in his appeal to the religious *Shariat* courts. Hasnain was urged to be patient and discreet. However, according to persons with direct knowledge of the exchange, Hasnain told Ejaz ul-Haq that he had already suffered enough for General Zia's sake. "Don't rub salt in my wounds," Hasnain is quoted as having told Ejaz ul-Haq.[38]

The Afridi-Rehman Case

A second significant example of Pakistan's heroin politics is the Afridi-Rehman case, an affair which sparked tension between the two forces, police and Army, on two separate occasions. The first case began in early 1986 when an Army major, Zahooruddin Afridi, was arrested driving to Karachi from Peshawar. Major Afridi was captured with 220 kilos of high-grade heroin, the largest consignment ever intercepted in Pakistan. Exactly two months later, police arrested an Air Force officer, Flight Lieutenant Khalilur Rehman, who was also intercepted with a consignment of 220 kilos of high-grade heroin. Rehman confessed to police that it was his "fifth mission." At the most conservative estimate, Afridi and Rehman were

together carrying heroin with a street value of more than $600 million dollars in Europe and the United Statesthe equivalent of a full year's U.S. foreign aid allocation to Pakistan. The sum was staggering for those who bothered with the arithmetic.[39]

Shortly after Rehman's arrest *Dawn*, one of Pakistan's leading newspapers, noted: "The arrests of an Army and Air Force officer with a total of 440 kg of heroin, worth millions of dollars in the international underworld drug market, has surpassed all Pakistan Narcotics Control Board (PNCB) records. There still remains need for a complete investigation of the case. The PNCB has so far a rather unpleasant record in this respect as the Board is yet to show an example of a follow-up case."[40]

Both officers were taken from police custody and detained under reputedly high-security conditions at the Army's Malir Cantonment outside Karachi. An investigation was to be conducted and both officers were to face court martial proceedings. However, before an inquiry could even begin both men escaped under what Pakistan's *Defense Journal* of August 1988 generously termed "mystifying circumstances."[41] Taking a tougher position, Pakistan's leading newspaper *Dawn* published an editorial titled "Getting At The Mafia Bosses":

> Organized crime has displayed an ability to outmatch and outlast any challenge posed so far by the law-enforcement agencies. A shocking reminder of this equation is the escape of a Major [Zahooruddin Afridi] involved in a case of heroin smuggling from a tight security cell in Karachi's Malir Cantonment. He was arrested by the Pakistan Narcotics Control Board with 200 kilograms of heroin on Super Highway in June this year. Less than two months ago, a Flight Lieutenant, accused of a similar offense, got away from Civil Hospital where he had been lodged for treatment under police custody. These episodes are symptomatic of the fact that while a large number of peddlers are trapped by the police and at times sizable amounts of heroin seized, the big bosses of the criminal underworld remain free and unscathed.[42]

The police group which made the arrest was furious and set out to trap its prey once again. European police sources allege the escape was arranged

for nearly $100,000 per head, considered rather small change to protect a major network.

According to a Peshawar journalist who spoke with Afridi, the young Army major began calling the police while underground in an attempt to negotiate a conditional surrender. He offered to identify important personalities involved in his organization in exchange for some consideration in his own case. Before long, police in the North West Frontier were able to rearrest him. Within hours, however, the Army abruptly took Major Afridi back into its own custody and spirited him out of Peshawar by special helicopter. Afridi disappeared for some time until General Aslam Beg became the new Chief of Army Staff following Zia's death. Only then did the Afridi case go before a court martial. Although he received a heavy sentence, related cases pointing towards a larger organization with senior military directors failed to materialize. Afridi's case was successfully "compartmented" and its potential for wider damage was contained.

The Alphabet of Agencies--CIA, DEA, ISI

The Hasnain and Afridi cases pointed to the existence of one or more major heroin syndicates within the Pakistan Army. Indeed, serious allegations have arisen that major heroin syndicates have been functioning at the upper echelons of the army. Since the mid-1980s, this suspicion has caused severe tensions between the police, who are charged with suppression of the narcotics trade, and elements in Pakistan's Army. There still remain committed elements in Pakistan's police service and army which, for religious and moral reasons consider the heroin trade a scourge to their country.

During General Zia's years a small but powerful element within the Army appeared determined to keep the police completely out of military affairs, especially where they concerned narcotics investigations. Moreover, allegations involving elements within the Pakistan Army had increasingly focused on individuals and agencies linked operationally to "covert" support for the Afghan war.

General Fade Huq was the man most frequently cited by European police as having fostered an environment in which the heroin trade could flourish. General Huq, a former Chief Minister and Governor of the North West Frontier Province (NWFP), was one of Zia ul-Haq's most trusted confidants. Fazle Huq's critics in Pakistan referred to him as "our own Noriega," and argued that the United States had ignored his other activities because of the crucial and effective role he played as Governor of the province that served as the main staging area for Afghan mujahideen operations.

As early as 1982, Fazle Huq had been implicated in narcotics reports reaching Interpol in Paris.[43] Pakistani and European police officials interviewed for this inquiry allege that every serious attempt to investigate the operations of major heroin syndicates in the NWFP had been aborted at the highest political level in the province. On his part General Huq denounced the "gutter press" for the allegations which were frequently leveled against him. "Would the United States have tolerated for eight years a governor involved in drug trafficking?" he wryly asked a Pakistani journalist.[44]

This was certainly an appropriate question. During the 1980s, the United States had a staff of seventeen Drug Enforcement Administration (DEA) officers in Pakistan who worked exclusively on narcotics matters--twice the force of all other Western embassies combined. European police who have worked closely with the DEA during this period claim that U.S. agents had identified nearly forty significant narcotic syndicates in Pakistan. Yet, during the Zia years not a single major syndicate was broken as a result of U.S. enforcement efforts. The only major network broken-up during the 1980s had been the result of Norwegian police efforts, specifically through the relentless efforts of one Norwegian police officer.

A 1988 DEA report argued that even within Pakistan well publicized governmental eradication efforts in traditional poppy growing regions such as Gadoon, Malakand, and Bunez simply shifted the cultivation of opium to new areas. "Positive efforts at eradication have been counterbalanced by increases in cultivation of opium poppy in areas where the ban on cultivation is not in place," says the DEA's 1988 survey of Pakistan. "It is believed that these areas . . . now account for a majority (sixty percent) of the poppy production in Pakistan."[45] Official statistics note that opium output in Pakistan had fallen from 300 metric tons in 1979 to 165 tons in

1987. But during precisely the same period the output of opium increased from an estimated 270 tons to 600 tons across the border in Afghanistan. From an overall perspective of opium and heroin production, the Afghan and Pakistan border regions must be considered a single unit. Almost the entire production of opium in Afghanistan had come to be controlled by Pakistan-based syndicates with links to liberated areas of the Afghan countryside.

The DEA also noted in its 1988 report that its own investigation had "uncovered several instances of major traffickers who have purchased property or legitimate business . . . in order to invest a portion of the money they have acquired through their illegal activities. . . . Law enforcement efforts have not, except in a handful of cases, arrested important narcotic traffickers, financiers, and organizers. No more attention is paid to interdiction than investigative work against major traffickers . . . Vigorous enforcement efforts have resulted in impressive seizures, but have made little headway against major traffickers and refiners."[46] European police sources estimate that, despite several dramatic seizures, only between 5 and 10 percent of the heroin shipped from Pakistan is actually intercepted.

By all accounts, the DEA has had a number of highly qualified and intelligent individuals working in Pakistan. A careful scrutiny of its unsanitized reports reveals, moreover, a team interested in facts, not propaganda. The question, however, why the Americans have not effectively utilized their narcotic's intelligence to destroy the drug syndicates. "It is very strange that the Americans, with the size of their staff, the scale of their resources, and the political power they possess in Pakistan, have failed to break a single narcotics case," says one European police officer, a five-year veteran of the Pakistan's heroin wars. "The explanation cannot be found in a lack of adequate police work. They have had some excellent men working in Pakistan."

Why then has DEA's narcotics intelligence been so poorly utilized? The explanation may lie in the conflicting agendas of U.S. policy in Pakistan. The Reagan administration's overriding goal was to buttress a government that aligned itself with U.S. strategic objectives in Afghanistan and the Persian Gulf. At the time of President Zia's death in a plane crash in August 1988, his regime was, as *The New York Times* noted, "the strongest pro-American force in the region."[47] Exposing the involvement of senior figures in this pro-American regime, especially if they had played an important role

in the Afghan war and had provided a secret "back door" for arms shipments to Iran as part of the Iran-Contra operation, would have posed serious dilemmas that lesser powers, such as Norway, did not experience.[48]

Thus, the reason for the failure of U.S. anti-narcotic efforts is to be found in the "conflicting agendas" of American policy in Pakistan. For an entire decade U.S. priorities had been to back a military regime which was prepared to align itself with American strategic objectives. Even the normally complacent *New York Times* had to acknowledge that "the drug trade rose sharply after General Zia seized power . . . senior figures in the Zia government were said to have ties to drug traffickers."[49] However, to expose the involvement of "senior figures" in the narcotic trade stood, ostensibly, in conflict with American political objectives; many of these same individuals had allegedly become key operational figures in the implementation of U.S. policies, particularly the Afghan war. The most generous view that can be taken is that U.S. policy makers looked the other way while narcotic syndicates grew side-by-side with operations linked to the Afghan insurgency.

Benazir Bhutto’s Failure

By the time Benazir Bhutto's government won power in the democratic elections that followed General Zia's death, a decade of heroin trafficking had laid down resilient networks of political corruption. When Bhutto took office, the new prime minister's opposition to the heroin traffic was indisputable. As early as 1985, she expressed the public's growing exasperation over the heroin trade under Zia's military regime when she remarked: "The government which could arrest 20,000 political workers overnight is unable to lay hands on 100 drug smugglers who are playing with the lives of millions of people in the world."[50] Despite Bhutto and the Pakistan People's Party (PPP) general commitment to crush the trade, once in power, the PPP, lacking coherent leadership and internal discipline, was soon compromised.

Prior to Pakistan's national elections in 1989 it had become obvious that the great heroin wheel was turning in order to protect its vital interests

whatever the outcome of the electoral vote. The standard practice of organized crime, from the United States to Colombia to Panama, is to make the most effective use of electoral and military politics. The medium matters little as long as the results are the same. In a democracy the strategy rests on the practice of supplying vast cash resources to a variety of candidates and parties seeking election. Once elected, designated recipients are forever compromised and the political "markers" bought during the electoral process are cashed. Unless a political party is capable of purging the corrupt and tainted from its own ranks, it can become as addicted to heroin as the most craven addict.

In a June 1989 interview with this writer, General Zia's son, Ejazul-Haq, defended his father's record on drugs by charging that one of the country's leading narcotics smugglers, Haji lqbal Baig, was being protected from criminal prosecution by his close relationship with Meraj Khalid, Speaker of the National Assembly and a leading PPP figure. "I would like to mention," said General Zia's son, "that lqbal Baig . . . is a staunch supporter of the PPP, had funded the campaign of many PPP candidates, and is very close to certain people in Benazir's government." Referring to allegations about his father's tolerance of the heroin traffic, Ejazul-Haq stated: "All this hue and cry by Benazir Bhutto is just to impress the U.S. . . . She is trying to link my father's name with die heroin trade . . . The government is just trying to implicate people in the opposition by such propaganda."[51] The allegations sparked a storm of controversy that forced the government to dramatically step up its efforts to arrest Baig.

The curious case of Iqbal Baig had begun in 1986 when the BBC's program *Panorama* told the tale of a Japanese courier named Hisayoshi Maruyama who had been arrested in Amsterdam in May 1983 carrying 17.5 kilos of high-grade heroin. Maruyama also ran a bogus clinic, specializing in pediatrics, with the help of a counterfeit medical degree. His prize patient was General Zia's retarded youngest daughter. How this connection came about, BBC reporter Peter Taylor noted dryly, "has never been explained." Maruyama identified the head of the syndicate for which he worked as a Lahore cinema owner named Iqbal Baig. When two BBC reporters went to interview Baig, a dozen thugs dragged them out of the office and beat them.

In 1986 during the Zia regime, an important daily newspaper in Islamabad, *The Muslim*, quoted a customs intelligence agent's description of Baig as "the most active dope dealer in the country."[52] When asked why

Baig had not been arrested, a senior Pakistani narcotics officer replied that the hands of the police were "tied" by higher authorities. Another police officer confirmed that Baig was a major target of U.S. and European narcotics agencies, and that the U.S. Drug Enforcement Administration had tried several ruses to lure Baig abroad in order to make an arrest. When asked why the DEA had failed to secure an arrest inside the country, as the Norwegians had in the Hasnain case, the Pakistani officer said he had concluded that the United States was unwilling to press for arrests that might lead to embarrassing revelations at the highest levels of a government so closely allied with Washington.

Sayed Sami Ahmed, a lawyer with Karachi's High Court bar association, was more blunt. "We may have evidence against a particular individual," he told the BBC, "but still our law enforcing agencies cannot lay hands on such people, because they are being forbidden to act by their superiors or those persons for whom they are working. The real culprits have enough money and resources. Frankly, they are enjoying some sort of immunity."[53]

Despite these repeated allegations inside and outside Pakistan, Iqbal Baig seemed untouchable while General Zia ul-Haq was in power. Ironically, General Zia's son became the nemesis of a man long seen as one of his father's proteges. In his June 1989 interview, Ejazul-Haq alleged, as we have seen, that Haji Iqbal Baig, owner of the Plaza Cinema in Lahore, and the focus of the BBC Panorama documentary, had close personal relations with Meraj Khalid, a prominent figure in the Pakistan People's Party (PPP). While unable to explain why Baig had not been arrested during his father's tenure despite the confession of the Japanese smuggler Maruyama, Ejaz ul-Haq claimed that senior PPP figures and candidates had close financial links with Baig.

Within a week of Ejaz ul-Haq's remarkable allegations, the PPP government announced the capture of Baig which appeared to take the wind out of the younger Haq's accusations. However, Baig was quoted by Karachi's *Newsline* as saying: "My surrender was negotiated directly with the Prime Minister [Bhutto] by Meraj Khalid."[54] Despite this troubling ambiguity, a veritable war atmosphere seemed to grip Pakistan's moribund narcotics agencies. Regular press briefings gave the latest news from the battle front and for the first time in a decade, deeds seemed, however briefly, to replace words.

Within weeks, however, the dynamic appeared to have been lost. Reports circulated in Islamabad and abroad that behind-the-scenes deals had been made. Senior government ministers complained privately to journalists that the United States and other Western narcotics agencies had "let us down" by not providing access to crucial evidence, as if their own investigative skills were subservient to the dubious talents of certain foreign intelligence agencies. By late 1989, however, the more serious question being asked was whether or not Benazir Bhutto's PPP government had the capacity and the will to destroy the narcotics syndicates or whether significant elements in the PPP had been compromised by the heroin networks.[55]

In December 1989 *The Financial Times* of London, not known for sensationalism, described a curious, yet informative, meeting between Christina Lamb, its Pakistan correspondent, and a rather articulate figure of the Afridi clan. Although Ms. Lamb apparently did not appreciate her host's table manners, she did recognize the man's insight into the world of narcotics. A small but powerful element within the Afridi community had gained a reputation in the North West Frontier Province during the 1980s for its dual links to both the heroin trade and leading figures in Zia's military regime. Although he was not necessarily the most significant, the most well known in this regard was Haji Ayub Afridi of Londikotal.[56]

Without specifying which particular individual in the Afridi clan she had spoken with, *The Financial Times* reporter described the following encounter:

> At the other end of Pakistan, deep in the tribal areas near the border with Afghanistan, meat juices are dripping down the fleshy chin of an Afridi chief. He is considering putting up a picture of Benazir. To his surprise, he has been very pleased by the new government. His money comes from drugs--the chief is one of the world's biggest producers of high-grade heroin--and, hedging his bets, he once funded politicians on all sides of the political spectrum. Now, he is more powerful than they. "When [Benazir] became Prime Minister, she launched a big campaign against the drug barons. We had an emergency meeting and sent out warnings--a business associate of the Prime Minister's husband was abducted and several narcotics officials killed. One of our number gave himself up and, for a while, we thought he might name names; but the appropriate threats went out and he was released through lack of evidence. Laughable, really, after the Government had crowed that they had captured the king-pin of the heroin trade."
>
> The chief adds: "Of course, it helped that the military intelligence and the CIA were in on it." It is a common allegation, which shows the widespread disillusion with the West. He explains that they needed the co-operation of the tribal chiefs to run their operations in Afghanistan, while the tribes needed the army trucks to transport the heroin to Karachi. "A healthy symbiotic

> relationship," says the chief. "But it's funny that the CIA are using the very people the [U.S.] State Department are trying to stop. All these Western aid projects have helped opium poppy production in Afghanistan and the Americans have produced a new incentive--offering bribes to those who destroy their crops. They don't learn. They tried that in Pakistan and production went up."[57]

The man whom the Afridi chief refers to who "gave himself up . . . the [so-called] kingpin of the heroin trade" was Haji Iqbal Baig. Despite his notoriety, Baig must be regarded as an innocent man unless or until he is convicted in a court of law. But there can be no denials from certain western narcotics agencies of the fact that Baig had been a target of investigation for more than half a decade. In the course of researching Pakistan's heroin trade, this writer was informed in detail about Western and Pakistani police inquiries into Baig's activities. Indeed, it was under the direction of Charles Carter, the former director of the Drug Enforcement Agency at the U.S. Embassy in Islamabad, that elaborate efforts were made to lure Baig abroad so as to secure his arrest outside Pakistan. According to sources with first-hand knowledge of the effort, Baig failed to take the bait in a sequence of well planned sting operations. The question always remained whether he was tipped off by sources in the Zia government.

The DEA failure to arrest Baig inside Pakistan during the Zia period was for years an open secret among European and Pakistani narcotics operatives. DEA officers visited Hisayoshi Maruyama, the Japanese smuggler who claimed to be working for Baig's syndicate, in prison in Holland and debriefed him extensively. In this case there was no dearth of leads for serious investigators to build a case on. There were others beside Maruyama in foreign prisons who were prepared to offer testimony on terms similar to those which induced Raza Qureshi to turn state's evidence in the Norwegian case.

According to sources familiar with the Baig inquiry, the DEA faced a somewhat delicate dilemma. If one were to start tugging at the principal thread in the case, it might unravel too many politically delicate linkages, thereby implicating more than simply the original target. Therefore, the DEA had to secure an arrest at a place and time where powerful political figures in the Zia government with links to the accused would not be directly implicated, or be in a position to protect the target of the investigation. Unlike the Norwegian authorities who pushed ahead relentlessly in the Hasnain case regardless of his political connections, the

United States had a conflicting political agenda and was not prepared to press matters beyond a certain point for fear of compromising strategic associations. In this instance, an arrest abroad beyond the reach of the syndicates' local political power base was the preferred approach. An overseas arrest far from public view could be accomplished without causing embarrassment to local U.S. allies.

The Baig story garnered a great deal of press attention. Yet, if charges against him were ever proven in a court of law, they would likely show that he was but a small cog in a much larger mechanism. In fact, the publicity surrounding his case diverted attention from matters which cried out for urgent inquiry. For example, why was there never an open public inquiry into the National Logistics Cell and the years of published reports alleging its role as a conduit for shipping heroin? Why did the Pakistan Army fail to follow the leads in the Major Zahooruddin Afridi and Flight Lieutenant Khalil-ur-Rehman cases? Who were these two working for? And, was not the post-Zia leadership of the armed forces under Aslam Beg, initially known for its anti-narcotics sentiments and private disgust at the past activities of former colleagues, not inviting future corruption by their own inaction? Many questions would remain unanswered.

Yet the most troubling question being asked was whether elements in the Pakistan Army, and in certain political parties once opposed to the illegal trade, had been sufficiently compromised to neutralize them as effective elements in a serious mobilization against the traffic. If so, Pakistan could look forward to the dubious distinction of becoming the Panama of the East, where generals and erstwhile democrats alike would dance to the tune of the narco-mafias.

The Future of Pakistan

We cannot predict whether organized crime syndicates will achieve the degree of political hegemony in Pakistan they earlier acquired in Colombia and Panama. The prognosis, however, is not an optimistic one. As yet, there appears to be no political force within Pakistan capable of exercising the steel-like determination that would be required to pursue a bitter war to penetrate and destroy the secret alliances built up over the past decade.

Failure to mobilize an attack against the syndicates has already invited retaliation on their part against their real opponents in the police services. Either they will be broken or they will continue to promote their own vested interests by the same means they have utilized over the past decade.

A minimum program for reform would require serious inquiry by dedicated and uncorrupted personnel. For example, the allegation frequently heard in Afghan resistance circles that during the Zia years elements within the ISI were utilizing narcotics to raise resources for its burgeoning operations would have to be thoroughly investigated. The subject certainly merits a white paper inquiry by the Pakistan government. The time is long past to determine whether this extraordinary allegation is outlandish or factual. There should be no illusions about what would be required. For such an investigation to occur the "anti-narcotics" elements within the army's leadership would have to find the nerve to investigate its own house and not flinch from conclusions. There is no evidence whatsoever that the Pakistan Army is prepared to purge its ranks of the criminal linkages which developed during the 1980s.

In 1987 serious allegations concerning the ISI, the CIA's principal counterpart in Pakistan, were made before the United States Congress. *The Far Eastern Economic Review* reported that in testimony before the U.S. Senate, Andrew Eiva, Chairman of a Washington-based conservative political organization, the Federation for American Afghan Action (FAAA), which had worked closely with Mujahideen groups, claimed that "Pakistan's Inter-Services Intelligence, run by Major General Akhtar Abdul Rehman, which oversaw the transfer of money and arms to the rebels, is responsible for the theft of millions of dollars in funds and military equipment." Eiva alleged that $700 million out of $1.09 billion in aid earmarked by the U.S. Congress for the Afghan rebels between 1980-1981 had disappeared.

The FAAA, in conjunction with rebel organizations, had drawn up statistical estimates of actual arms deliveries received by the seven rebel factions based in Peshawar and matched these against Congressional appropriations. The disparities were significant. Eiva asserted that FAAA research showed that of $342 million appropriated by Congress for the mujahideen between 1980 and 1984, the value of aid, including arms, actually reaching rebels in Afghanistan was only $36 million. When the narrower statistic regarding the actual delivery of arms was calculated, Eiva told *The Washington Post* that he estimated 70 percent of the military

assistance never reached the rebels. Eiva said similar proportions were diverted from the 1985 and 1986 appropriations of $280 million and $470 million.[58]

Eiva claimed that some of these resources were clandestinely diverted to the Niearaguan contras. He also alleged that several Pakistani military officers had "become overnight millionaires . . . and made money off the U.S. aid to the Afghans."[59] Following Eiva's allegations in 1987, the Chairman of the House Budget Committee, William Gray III, asked the General Accounting Office (GAO), the U.S. Congress's main research and investigative arm, to open a full investigation. After months of persistent effort, the GAO probe was suspended. According to a GAO official involved in the investigation: "The CIA would not cooperate. They would not permit us to investigate anything to do with 'operations' even if it involved trying to add up the numbers to see if the figures made sense."[60]

A Congressional staffer, who was also closely involved in the effort to establish an independent inquiry, recalled during a 1991 interview: "We knew something was radically wrong with the Afghan aid program. We were stonewalled and blocked. The message given to Congressman Gray by the CIA was that 'phenomenal national security implications' were involved and he did not realize the potential repercussions."

The CIA insisted that only the House and Senate Intelligence Committees had the authority to conduct an inquiry. Yet both committees were reluctant to investigate the issue while Soviet forces were still in Afghanistan. After months of jurisdictional disputes with the CIA, Congressman Gray suspended his efforts in frustration. According to the GAO, an investigation which hardly got off the ground was never completed.

In January 1992, *The Friday Times* of Lahore reported that several anti-narcotics agencies based in Pakistan had taken the extraordinary step of shifting their operations to Kabul, the capital of Afghanistan. According to the BBC's Kathy Evans, "There is increasing frustration among the anti-narcotics agencies. The UN drug control program moved its base to Kabul recently, convinced that the government of President Najibullah would lend more support than the Pakistani authorities. 'It is disgraceful that for 12 years the Western world has been pouring millions of dollars into the pockets of the biggest heroin producers,' rages the program's director, Dr. Christopher Conrad."[61]

If there are grounds for cynicism regarding a lack of requisite political will in Pakistan sufficient to break the power of criminal heroin syndicates, then the same cynicism must be extended to the American ability to scrutinize its own record in Southwest Asia. The fundamental difference between the Norwegian and American approaches to the suppression of the heroin trade in Pakistan was that the Norwegians had only one issue on their agenda. They were determined to destroy their Pakistani heroin connection. Furthermore, they were not deterred by the controversial political implications of the case their narcotics detectives had unraveled.

European diplomatic sources observed that there are several CIA officers on the staff of the DEA in Pakistan. Since 1975 the CIA has been responsible for the collection of overseas narcotics intelligence as part of the agency's official mandate. Yet, what becomes of this mandate, when the largest CIA operation since Vietnam has aligned itself with men who have ties to the heroin trade?

In March 1989, at a conference convened at Tufts University entitled "Drugs, National Security, and U.S. Public Policy," I shared a panel with Ambassador Edwin Corr. The Ambassador had served in posts throughout Central and Latin America, and had also been Director of the State Department's Bureau of International Narcotics Matters. As U.S. Ambassador to El Salvador in 1986, Corr had played a role in the Iran-Contra affair by reportedly having "monitored the covert contra resupply missions which operated out of Ilopango Air Base in San Salvador."[62]

The panel also included Elaine Shannon of *Time* magazine, Stephen Engelberg of *The New York Times,* and Jonathan Marshall of *The San Francisco Chronicle.* In the course of a lengthy discussion in which the essential details of this paper were summarized, I posed a question to Ambassador Corr. I asked whether or not as a *guiding principle* of U.S. international narcotics policy, U.S. agencies could be required *never* to utilize as intelligence 'assets' or 'operatives' any individuals or organizations that were known to be engaged in the narcotics trade.[63]

The issue was not an abstract one for me. During 1970 while in Laos and Vietnam I had encountered numerous Americans with first hand knowledge of General Vang Pao, Tony Poe, Air America, and Air Vice-Marshall Ky.[64] Less than two decades later in Pakistan, Peshawar would invoke a melancholy sense of *deja vu.* I had seen it before, and listened quietly to Dr. Sayd Majrooh, Afghanistan's most distinguished philosopher, explain to me

how he had tried to speak truth to power about a diseased nexus I knew so well. Within months Majrooh had been murdered by one of these creations known as an "intelligence asset" who was also heavily engaged in the heroin trade.

With all this in mind I waited for Ambassador Corr's reply. It was simple, revealing, almost ingenuous in its honesty. When asked if he could accept such a *basic principle* he said, "You can never, say never!" This answer had come from the former Director of the U.S. Bureau of International Narcotics Matters. Pragmatism required America to keep all its intelligence options open from Vang Pao to Noriega to Hekmatyar. Corr's spontaneous remark was revealing in its candor and epitomized the reason why the U.S. foreign policy bureaucracy was incapable of having any constructive effect in the so-called war on drugs.

As long as it was dominated by the mentality of men like Edwin Corr, American institutions would foster not destroy the trade in the most profitable commodity the world has ever known--narcotics. There would be individual exceptions like Michael Levine and Enrique Camarena, but their commitment and dedication would make them isolated soldiers. As Levine has written of his years in the DEA: "It's tough to be the only guy playing straight in a crooked card game."[65] But, a deeper question has to be asked regarding the rationale underlying the "crooked game" and how it is linked to the outlook of men like Edwin Corr. Where, if anyplace, do the two meet?

Perhaps, Alfred McCoy offers the most plausible answer in his classic study, *The Politics of Heroin in Southeast Asia.* "Practicing a ruthless form of clandestine realpolitik, its [CIA] agencies made alliances with any local group willing and able to stem the flow of communist aggression," wrote McCoy. "Although these alliances represent only a small fraction of CIA postwar operations, they had nevertheless a profound impact on the international heroin trade . . . Unlike some national intelligence agencies, the CIA did not dabble in the drug traffic to finance its clandestine operations. . . . The CIA's role in the heroin trade was simply an inadvertent but inevitable consequence of its cold war tactics . . . American diplomats and secret agents have been involved in the narcotics trade at three levels: coincidental complicity by allying with groups actively engaged in the drug traffic; abetting the traffic by covering up for known heroin traffickers and condoning their involvement; and active engagement in the transport of

opium and heroin. It is ironic, to say the least, that America's heroin plague is of its own making."[66]

Yet, Pakistan's heroin plague is also of its own making to the degree that an element within Pakistani society has collaborated and profited from the trade. It would be facile to simply blame the outsider. Ten years ago, during the first Bhutto administration, heroin was unknown in Pakistan. The first death reported on Pakistani soil from an overdose of the "white powder" occurred in 1980. Significantly, he was an Iranian exile living in despair in Quetta. Many Pakistanis have subsequently followed him to their own graves and many families have come to know the misery of heroin addiction. These hundreds of thousands of victims are the final denominator. Whatever the compromises various foreign governments may have made as part of their geopolitical calculus, it appears self-evident that in Pakistan an independent and nationalist policy on narcotics still requires a unilateral war against the centers of civil and military power established by Pakistan's heroin syndicates over the last decade.

Notes

1. The New York Times. August 18, 1988
2. Interview with Oyvind H. Olsen, Liason Officer, Nordic Countries, London, September 1988. See also "70% Heroin Sold In U.S. Comes From Pakistan", The Muslim, Islamabad, January 18, 1984.
3. Lawrence Lifschultz, "Death Be Not Proud: Sayd Majrooh and the Future of Afghanistan," The Pakistan Times. Lahore Edition, February 12, 1989; Lawrence Lifschultz, "Afghanistan: Whose War Is It Anyway?," and "Interview With Shafi Rastgo: 'The Death Toll Of Educated Afghans In Peshawar Is Now More Than A Thousand', Newsline, Karachi, October 1989.
4. Lawrence Lifschultz, "Dangerous Liason: The CIA-ISI Connection," Newsline. Karachi, November 1989.
5. Zbigniew Brzezinksi, Power and Principle: Memoirs of the National Security Adviser 1977-1981 (New York: Farrar, Straus, and Giroux, 1983), p. 427. See also, Bob Woodward, The Veil: The Secret Wars of the CIA 1981-1987 (New York: Simon and Schuster, 1987), pp. 78-79. "Faced with the December 1979 invasion of Afghanistan, the briefers told him [William Casey], the Carter Administration had entered into the *third phase of Us covert program*, launching its only serious, large scale paramilitary support operation. Again it was Brzezinski who had pushed the hardest, believing tht the Soviets had overextended themselves. Afghanistan was their Vietnam, and Brezezinski wanted it boldly and ruthlessly exploited. Bleed them, he had said. [Stansfield] Turner's attitude? The Director, the briefers explained, had wondered long and hard whether it was permissible to use other people's lives for the

geopolitical interests of the United States...Turner had worried that U.S. policy was to fight to the last dead Afghan, but he had supported the operation in the end." (Emphasis added.)

6. Interview with former NSC official on non-attribution basis., Washington, D.C., June 1989,

7. The CIA representative who arrived in Peshawar met for the first time face-to-face with Pakistan's Afghan intelligence assets. The gathering was organized by the Pakistanis in response to an American request. According to a participant, Gulbuddin Hekmatyar of the Hezbi Islami attended this meeting. In the ensuing decade, Hekmatyar would receive the lion's share of American covert assistance. He would be repeatedly accused of human rights violations against others in the Afghan exile community including the 1988 assasination of Dr. Sayd Majrooh. By the late 1980's the heavily armed Hekmatyar would be at the center of a major heroin syndicate.

8. General Babar was later appointed as Governor of the North West Frontier Province (NWFP) during the final phase of Zulfiquar Ali Bhutto's government. Following Bhutto's execution in 1979, Babar joined the Pakistan People's Party and was imprisoned by Zia-ul-Huq. He returned to government service after Zia's 1988 death and served as a senior military adviser to Benazir Bhutto in 1989.

9. Louis Dupree, Afghanistan (Princeton: Princeton University Press, 1980), p. 762.

10. Lawrence Lifschultz, "Baluchistan: Festering Dilemma For Bhutto," Far Eastern Economic Review, June 4, 1976; Selig S. Harrison, In Afghanistan's Shadow: Baluch Nationalism and Soviet Temptations (Washington: Carnegie Endowment for International Peace, 1981).

11. Pakistan's clandestine operation and its political objectives were described during a series of detailed interviews with a senior Pakistani military officer who was directly involved in Bhutto's Afghan operation. The interviews took place in Pakistan in December 1980. During the same month, this correspondent interviewed Gulbuddin Hekmatyar at his heavily armed headquarters in Peshawar, and asked him specific questions about his 1974-77 liason with Pakistani intelligence operations directed against the Daud regime. During my conversation with Hekmatyar, he became very agitated demanding to know the source of this information. He threatened to kill any Pakistani military officer who had discussed this matter with a foreign journalist. As Hekmatyar became even more agitated, this reporter changed the subject to the soothing topic of fighting Soviet aggression in Afghanistan.

12. Salamat Ali, "Zia's Mounting Financial Troubles", Far Eastern Economic Review. November 23, 1979.

13. Bob Woodward, The Veil, p. 104.

14. "Six Russian Airmen Handed Over To Soviet Embassy", Dawn. Karachi, October 7, 1987. "One of Soviet Soldiers Was Member of Spitznaz", The Nation. Lahore, October 8, 1987."Dangerous Liason: The CIA-ISI Connection" By Lawrence Lifschultz, Newsline. Karachi, November 1989.

15. Lawrence Lifschultz, "Eye Of A Storm: Interview With Ari Ben-Menashe", Newsline. Karachi, December 1991.

16. "The Missing Millions: New Allegations Over 'Lost' Afghan Aid", Far Eastern Economic Review. March 5, 1987.

17. "Panels To Probe Afghan Arms Fund", The Washington Post, January 13, 1987.

18. Lawrence Lifschultz, Telephone interview with John LeBoutillier, January 14, 1992. The New York Times, November 27, 1985 cited by Walter Pincus, "Panels To Probe Afghan Arms Fund", The Washington Post. January 13, 1987.

19. Bob Woodward, The Veil, p. 312.

20. "The Strategic Connection: Pakistan and the US Cooperate on Building Up Forces", Far Eastern Economic Review. December 18, 1986; "The Flight of the Orion: The P-3s Keep An Eye On Soviet Submarines", Far Eastern Economic Review, December 18, 1986.

21. Lawrence Lifschultz, "Washington Renforce Son Dispositif Militaire Dans Le Golfe Et L'Ocean Indien: La Mise En Place D'Un Commandement Militaire Unifie Regional", Le Monde Diplomatique, (Paris), February 1987; "The Strategic Connection: Pakistan and the US Cooperate On Building Up Forces", Far Eastern Economic Review, December 18, 1986; "Ring Around The Gulf: The US Wants Military Base Facilities In Paksitan As A Quid Pro Quo For Its $3.2 Billion Arms Aid Package", Far Eastern Economic Review, December 11, 1981. "Playing With Fire: The US-Pakistan Strategic Relationship In The Indian Ocean Basin", The Frontier Post, (Peshawar, Pakistan) November 28, 1986.

22. Lawrence Lifschultz, "Inside The Kingdom of Heroin", The Nation, (New York), November 14, 1988; see also Lawrence Lifschultz, "The Heroin Empire", Newsline, Karachi, July 1989.

23. James Rupert and Steve Coll, "U.S. Declines To Probe Afghan Drug Trade: Rebels, Pakistani Officers Implicated", The Washington Post, May 13, 1990.

24. "Afghanistan: A Not So New Rebellion," Far Eastern Economic Review, Hong Kong, 23/30 January 1981.

25. Lawrence Lifschultz, "Death Be Not Proud: Sayd Majrooh and the future of Afghanistan," The Pakistan Times, February 12, 1989.

26. "Masood's followers...will suffer least from the year-end [1991] mutual arms cutoff announced by the US and USSR. Masood, in particular, has always received a disproportionately small share of arms bought by the US and Saudia and distributed by Pakistan. He has fought largely with arms captured from the Soviets or from Kabul's forces...Over the years Masood has received little of the US and Arab-bought weaponry given to Pakistan's Inter-Services Intelligence directorate for distribution among the guerillas. The Pakistanis, in fact, have been most generous to Masood's bitterest rival, Hekmatyar of the Hizb i Islami, whose northern commanders have fought Masood far more actively than they have fought the Kabul regime." See John Jennings, "Mujahjideen Implement 'Armed Peace Process...'", The Friday Times, (Lahore), November 28-December 4, 1991.

27. Interview on non-attribution basis with French Embassy specialist on Afghanistan, April 1987, New Haven.

28. "Policies of the Pakistani Military Toward The Afghan Resistance: Human Rights Implications", News From Asia Watch, Washington, D.C., February 27, 1989, pp. 3-4.

29. For a detailed summary of Dr. Sayd Majrooh's views regarding the Afghan war, the Geneva process, and his dialogue with Dr. Nodari Simoniya of the Institute of Oriental Studies in Moscow see his interview with Lawrence Lifschultz in The Herald, Karachi, September 1987. This interview does not include Dr. Majrooh's views on the heroin trade. Due to his vulnerable position he explicitly requested that his observations about the narcotics trade be "off the record". In light of his murder in February 1988, allegedly by those he had identified during our interview as being implicated in the traffic, I believe it is appropriate to summarize his views on the matter.

30. "Pakistan: Status of Illicit Narcotics Production and Trafficking", U.S. Drug Enforcement Administration, DEA: 1988 Annual Survey For Pakistan, p. 192. The page numbers of this

document are based on the computer print-out of the report provided to the author by DEA sources. The page numbers in the final printed version, an internal document, may differ.

31. The Herald (Karachi), January 1987.

32. The Herald, (Karachi), September 1985.

33. Interview with senior police official August 1988 in Karachi on non-attribution basis. In an editorial titled "Getting At The Mafia Bosses", Dawn, (Karachi, November 12, 1986), drew attention to the fact that the Army's NLC had wrongly been placed out of reach of police investigating the illicit narcotics trade: "There have been allegations that some times NLC trucks are used to carry this illicit merchandise. The various agencies in the field should have the same power to search the NLC vehicles that applies to other vehicles. At least the Pakistan Narcotics Control Board officials should have permission to search any suspected NLC trucks. There is also some lingering mystery about what happens to the large, reported seizures of drugs and arms. Such is their market value that pilferage and deceptions are too tempting and cannot be ruled out." Dawn repeated its allegations against the NLC in its editorial of December 30, 1986 entitled "Going For The Sharks".

34. "Turning A Blind Eye?", Newsline, (Karachi), December 1989.

35. Interview with Hamid Hasnain's attorney, Munir Ahmad Bhatti, Lahore, September 1988. Bhatti stated on the record during Hasnain's trial that General Zia and his wife had called Pakistani police officials from abroad the night of his client's arrest. Bhatti's remarks during the trial were reported in The Nation. ("Hamid Hasnain Case: Hearing Continues", The Nation, (Lahore), June 6, 1987: "Making these startling disclosures...Advocate Munir Bhatti said President Zia-ul-Huq had called from Egypt [on October 27, 1985] to know why Hamid Hasnain, alleged mastermind of [an] international trafficking case, was illegally detained.") Police involved in Hasnain's arrest confirmed to this writer in 1988 that such a phone call had actually been received by the FIA. Police officers declared that they were nonplused by the President's call.

36. Tor Strand, "Varvenn au Presidenien," *Verdens Gang* (Oslo, Norway), June 10, 1987.

37. Interview with Munir Ahmad Bhatti, September 1988, Lahore.

38. Interview with Munir Ahmad Bhatti, September 1988, Lahore.

39. An even more staggering figure emerges from other estimates of the price of heroin during this period. According to a 1984 report in The Muslim "a kilo of 90 per cent pure heroin usually cost less than $50,000 dollars to import in the United States. When the kilo is cut to 3% pure, it produces 30 kilos, each with a street value of $200,000 to $300,000 dollars in New York. Pakistani heroin is generally 80% to 95% pure and costs about $5,000 at the source." ("70% Heroin Sold In U.S. Comes From Pakistan", The Muslim, Islamabad, January 18, 1984.) The two military officers, Afridi and Rehman, were arrested with 440 kilos of uncut high grade heroin. As a matter of perspective, it should be noted that in the famous *French Connection* case a consignment of 70 kilos was intercepted in the police operation. By using the lower price reported in The Muslim of $200,000 per kilo for "cut" or 3% heroin sold in the U.S. and Europe markets, the 440 kilo shipment becomes 13,200 kilos of cut heroin, and thereby represents a street value of $2.64 billion dollars. At a per kilo ratio of $300,000 the final sale would be valued at $3.96 billion dollars. By 1992, The New York Times, reported that "heroin sells wholesale in New York for as much as $200,000". ("Colombia's Drug Lords Add New Line: Heroin For The U.S.", The New York Times, January 14, 1992).

If an organized crime syndicate can maintain control of the shipment from purchase through transport to final distribution, the profit is staggering. Thus, narcotics are the most profitable

commodity on the world market. By the mid-1980s Pakistan's syndicates had not reached the maturity of Colombia's Medellin and Cali cartels which functioned as vertically integrated enterprises handling production, distribution, and sale. It is difficult to know, therefore, what share of the final revenue was retained by Pakistani based syndicates. But, in Pakistan, unlike in Colombia, various narcotics syndicates allegedly had deeper contacts in the Army and military intelligence which aided their overall development. Without effective enforcement it would only be a matter of time until integrated operations became the norm.

40. "Heroin Arrest Of Pakistani Air Force Officer", Dawn (Karachi), September 28, 1986. See also *Dawn*, July 25, 1986 on arrest of Major Zahoruddin Afridi. Regarding Afridi's mysterious "escape" see Dawn's editorial, "Getting At The Mafia Bosses", November 12, 1986.

41. Defense Journal (Karachi), August 1988.

42."Getting At The Mafia Bosses", Dawn (Karachi), November 12, 1986.

43. Interview October 1988 with Interpol official at Interpol General Secretariat, St. Cloud, France, who had participated in a 1982 inquiry into Pakistan's heroin trade. Interview conducted on a non-attribution basis.

44. "Interview With Fazle Huq: 'Would The U.S. Have Tolerated For Eight Years A Governor Involved In Drug Trafficking?'" By Rahimullah Yusufzai, The Herald (Karachi), June 1988. General Fazle Huq like his mentor Zia would not live long enough to provide many anwers. Zia died in a mysterious mid-air explosion in August 1988. Despite heavily armed body guards, Fazle Huq was also assasinated by unidentified assailants outside his home in Peshawar in the autumn of 1991.

45. "Pakistan: Status of Illicit Narcotics Production and Traffiking", PEA: 1988 Pakistan Survey, p. 191.

46. Ibid., p. 196.

47. The New York Times, August 18, 1988.

48. Lawrence Lifschultz, "The Contra Sideshow: Islamabad Was Conduit For Israeli Arms To Iran", Far Eastern Economic Review (Hong Kong), December 19, 1991. See also, Lawrence Lifschultz, "Pakistan Was Iran-Contra's Secret Back Door", The Sunday Times of India (New Delhi & Bombay), November 24, 1991; and "Pakistan's Secret Role In The Iran-Contra Affair", The Friday Times (Lahore, Pakistan), November 7, 1991.

49. The New York Times, August 18, 1988.

50. The Muslim (Islamabad), November 27, 1986.

51. Lawrence Lifschultz, "Interview with Eijaz-ul-Huq: It's An Absolute Lie," Newsline (Karachi), July 1989, p. 74-b.

52. "Ten Top Dope Dealers Not Named" By Kamran Khan, The Muslim (Islamabad), October 7, 1986.

53. "The Japanese Boy Scout Who Smuggled Heroin", *BBC's Panorama*, Directed by Peter Taylor, 1986.

54. "Special Issue--Narco-Power: Pakistan's Parallel Government", Newsline (Karachi), December 1989. Baig's quote appears on the cover; See also, "Baig Business", Newsline, December 1989, pp. 15-16.

55. "Narco-Power: Pakistan's Parallel Government?", Newsline (Karachi), Special Report, December 1989.

56. Kathy Evans, "Khyber King," Newsline, December 1989.

57. Christina Lamb, "Benazir's Democracy," The Financial Times, (Weekend Edition) December 9/10, 1989. For a detailed report of the futile but bloody anti-poppy repression which occured in the Gadoon region in 1986 see the special report, Zahid Hussain and A.S. Yusufi, "The Poppy War," The Herald (Karachi), April 1986.

58. "GAO Asked To Probe Alleged Diversion Of Afghan Rebel Aid: Scrutiny of Covert Assistance Program May Be Hampered By Secrecy, Jurisdictional Questions", The Washington Post, March 13, 1987. See also, "Panels To Probe Afghan Arms Fund: CIA-Run Swiss Account Will Be Examined For Possible Misuse Or Diversion", The Washington Post, January 13, 1987.

59. Far Eastern Economic Review, March 5, 1987.

60. "Pakistan Was Iran-Contra's Secret Back Door", The Friday Times (Lahore), November 7, 1991. Interview with GAO official on non-attribution basis, October 1991.

61. See two stories by Kathy Evans: "Rebels Swap Road To War For The Heroin Highway" and "Afghanistan's Record Opium Crop May Flood Europe With Cheap Heroin", The Friday Times (Lahore), December 26-January 1, 1992.

62. The Chronology: The Documented Day-by-Day Account of the Secret Military Assistance to Iran and the Contras (National Security Archive, Washington, D.C., New York: Warner Books, 1987), pp. xiii, 355, 606.

63. I further proposed that when any information became known that an American "asset" had become engaged in any way with the narcotics trade, all U.S. agencies would be compelled by law to take immediate steps to terminate their relationship with such an individual or organization. In addition, prior to establishing any such intelligence liason, U.S. officials would make known to the 'operatives' and 'assets' that the full weight of American law enforcement agencies would be brought to bear upon any criminal activity, especially in the realm of narcotics.

64. For details of Anthony Poe, Vang Pao, Nguyen Cao Ky and Air America see Alfred W. McCoy, The Politics of Heroin: CIA Complicity In The Global Drug Trade (New York: Lawrence Hill Books, 1991), pp. 307-309, 316-321.

65. Mike Levine, Deep Cover: The Inside Story of How PEA Infighting, Incompetence and Subterfuge Lost Us The Biggest Battle of the Drug War (New York: Delacorte Press, 1990), p. 311.

66. Alfred W. McCoy, The Politics of Heroin in Southeast Asia (New York: Harper & Row, 1972), pp. 7, 8, 14.

About the Book and Editors

Since the United States declared its "war on drugs" in the early 1980s, cocaine addiction rates have increased, "crack wars" have become an urban phenomenon, heroin use has multiplied, U.S. prisons have become overstuffed with convicted street users, and the Third World's production of narcotics has skyrocketed. U.S. drug policy failures are legion, and the essays in this volume explain why. One of the most pervasive reasons, which is addressed by several contributors to this book, is that U.S. intelligence organizations have long abetted the international traffic in narcotics as they carried out their cold-war missions. This point is rigorously argued and documented in the essays focusing on Latin America, Southeast Asia, and Pakistan.

Among other themes explored is the notion that drug policy has been formulated without paying sufficient attention to the history of narcotics as a global commodity subject to the same stimuli as other goods produced in some of the world's most impoverished nations. In addition, U.S. trade policy has been almost willfully counterproductive. Closing U.S. markets to licit agricultural goods from these nations often stimulates the production of narcotics. With contributions from historians, criminologists, sociologists, political scientists, journalists, and policy analysts, the book provides a complete survey of U.S. narcotics policy in relation to Latin America's cocaine traffic and Asia's heroin trade.

Alfred W. McCoy is professor of history at the University of Wisconsin-Madison. **Alan A. Block** is professor of administration of justice at The Pennsylvania State University and author of *The Business of Crime: A Documentary Study of Organized Crime in the American Economy* (Westview, 1991).